

Eta ends ceasefire as Spain snubs offer

By David White in Madrid

Hopes sparked by the Spanish government of a possible breakthrough in the Basque terrorist conflict receded yesterday when the Eta separatist organisation announced it was ending a week-long unilateral truce.

A statement from Eta published in the Basque newspaper, Egin, said the government had failed to give a clear answer to its proposals for a negotiated settlement, and accused it of following a "war policy".

Eta added that its operative units were "aware" of its decision, although the organisation said it was still open to negotiations.

It is seeking a response to a set of demands it issued in April last year when it attempted to kill Mr José María Aznar, now prime minister, in a car-bomb attack in Madrid.

Mr Aznar, however, said all indirect channels to Eta had been cut since his conservative Popular party (PP) took office in May. "All contacts have been closed, absolutely and radically," a senior PP official quoted Mr Aznar as telling a party meeting.

But Mr Jaime Mayor Oreja, the interior minister, said yesterday that the government would still press ahead with a conciliatory policy towards jailed Eta members.

Mr Mayor Oreja agreed at the weekend to move 32 Eta prisoners to prisons closer to their homes in the Basque region. There are about 500 convicted Eta members in jails throughout Spain.

Convicted members of Eta are usually dispersed to make it more difficult for them to form networks. The relocation of jailed rebels has been a key demand of Eta - the Basque language initials for Basque Homeland and Freedom.

Last week the centre-right cabinet threw its weight behind a declaration from political parties in the Basque country, rejecting Eta's terms but backing talks if the organisation released a kidnapped prison guard, extended its ceasefire and accepted democratic institutions. An opinion poll in the Basque region published by the daily El Mundo showed overwhelming backing - 88 per cent - for holding peace talks if these conditions were met.



Prime minister Aznar, who escaped an Eta bomb attack on his car last year, said in response to overtures from the separatists: "All contacts have been closed, absolutely and radically"

A smaller majority of almost 54 per cent said one of the subjects for these talks should be recognition of the region's right to self-determination, meaning the possibility of a referendum on independence, which Spain's governing party has consistently rejected.

The seven-day truce was the first since 1988, when leading Eta figures took part in unsuccessful talks with Spanish officials in Algeria.

It coincided with the disclosure that Mr Adolfo Pérez Esquivel, the Argentine human rights campaigner and Nobel prizewinner, acted as a secret go-between last year for tentative contacts between Eta and the previous Socialist administration.

The contacts broke off abruptly when Eta resumed its assassination campaign in the run-up to general elections in March.

Last week's "temporary suspension of armed operations" was received with scepticism in other political circles, including moderate Basque regionalists. "Eta is making a mistake if it thinks we are begging for a ceasefire on our knees," Mr Xabier Arzalluz, leader of the Basque Nationalist party, said at the weekend.

Ukraine awaits test of democracy

Matthew Kaminski reports on the significance of the adoption of a new constitution

Ukrainians have been busy toasting their constitution since its adoption on Friday, but an even harder task now centres on creating an independent judiciary to interpret the document.

Success on this point may determine whether the constitution, which spells out the division of power and secures democratic rights, can become the backbone for the stable and sovereign Ukraine expected by western capitals and foreign investors.

As in the US, the founding fathers in the Kiev parliament that ratified the constitution are charged with setting up an 18-member supreme court on a Soviet foundation, where previously judges and lawyers were directly susceptible to outside political influence and the rule of law was not respected.

Laws are needed to establish the highest court and divide jurisdiction with the lower courts. The president, the parliament and a judicial council have the right to nominate six judges each to the supreme court. But all the other details, including the procedure for breaking a tie in the even-numbered court, have been left open.

The general prosecutor, an essential institution in the Stalinist police state, will retain its dual role of investigating

and prosecuting cases for a year. After that, the quasi-independent office will be under the judiciary, setting the stage for potential conflicts of interest.

"The real question is whether the courts in Ukraine will emerge as a third and co-equal power," said Mr Stephen Nix, an American lawyer at the Kiev office of the International Foundation for Electoral Systems. The vagueness of

Ukrainians qualify. Challenges are expected from the several other large ethnic groups, such as the Crimean Tatars and the Hungarians.

Many observers believe the short-term benefit from ending the drawn-out constitutional fight, nearly five years old, will be to focus the government's attention on the other pressing problems and more plainly spelling

passage of laws solely to parliament and giving the prime minister more freedom. The president retains his hold over local government appointments.

But a barrier to co-ordinated decision-making remains the structure of the cabinet, which analysts believe carries an unwieldy number of ministers with overlapping portfolios.

The passage of the constitution amplifies the demands for administrative reform.

Ukraine's ability to adopt a constitution in a democratic and open way has raised optimism that the various elites who claim a mandate to rule the country can work out differences in the division of power.

Mr Oleksander Moroz, the socialist parliamentary chairman, said his claim to cemented its legitimacy by proving it could be a partner for the president and pass important legislation (unlike other ex-Soviet republics, Ukraine's parliament was not dissolved and violence was hardly a real threat during the divisive debate).

Ukrainian leaders were visibly relieved that the constitution, which has been called the last step to solidifying independence, was adopted before the second round of Russia's elections scheduled for tomorrow.

The general prosecutor, an essential institution in a Stalinist police state, will retain for a year its role of investigating and prosecuting cases

certain important clauses in the constitution should open the door to many test cases in the future.

A clarification on property rights will be pressed by investors, after the communist faction dropped the term "private" from the guarantee to own property, leaving its form open to interpretation.

In promoting a tolerant and multi-ethnic climate, the constitution made Ukrainian the state language, yet guaranteed educational instruction in other languages. Laws are needed to determine which minorities besides the Rus-

sians qualify. Challenges are expected from the several other large ethnic groups, such as the Crimean Tatars and the Hungarians.

Many observers believe the short-term benefit from ending the drawn-out constitutional fight, nearly five years old, will be to focus the government's attention on the other pressing problems and more plainly spelling

out which branches are responsible for setting and implementing policy. Both the main adversaries, parliament and president, made compromises and consider the final product legitimate after its passage on a vote of 315-56.

Greece casts light on Cretan crisis

Greece's state electricity utility, PPC, has resorted to desperate measures to avoid blackouts on Crete at the height of the tourist season.

PPC last month offered to subsidise purchases of energy-saving light bulbs by the island's 300,000 householders, with the aim of cutting electricity consumption by up to 20 per cent.

Crete suffers from severe electricity shortages because of unusually determined "not-in-my-backyard" opposition to PPC's attempts to find a site for a new power station. Nor does the energy ministry's writ carry much weight on an island with a long tradition of armed resistance to authority.

PPC planners in Athens blame threats of violence by local residents at several proposed sites for a 15-year delay in building a third power station on the island.

"It's difficult to argue with obstinate Cretans carrying

shot-guns," one senior official said. "Instead of building a new facility, we focused on upgrading the two existing plants, reducing transmission losses and finding new ways to conserve energy."

The new energy-saving campaign requires the Cretans to do no more than tear off a special coupon on their latest electricity bill and exchange it at a supermarket or electrical appliance store for up to four long-life light bulbs. The bulbs use 80 per cent less electricity than conventional ones.

Mrs Sophia Albani, the utility's spokeswoman, says: "No cash will change hands. The low-energy bulbs will be charged in instalments on electricity bills over the next year and we'll refund the retailers." The discount for Cretan householders is equivalent to 25 per cent of the retail price for long-life bulbs in Heraklion, the capital.

PPC will pay about Dr40m (£166,000) for a bulk purchase

of low-energy light bulbs made by Phillips, Osram and SYLVANIA - the most reliable brands according to tests carried out by the utility's research department.

To overcome the Cretans' reputation for being conservative consumers, the electricity company is promoting the virtues of low-energy lighting through local television and radio.

Electricity demand is increasing by 8 per cent yearly on Crete, twice the rate elsewhere in Greece.

Demand is highest in the summer months when the population doubles because of tourism and farmers run their irrigation systems at full power.

Resort hotels on Crete, which cater for more than 2m tourists a year, have already adopted energy conservation programmes. Solar panels are used extensively to provide hot water and many hotels

request their guests to use the same towel for two or three days in order to reduce electricity consumption by washing machines.

Mrs Judy Spala of Grechotel, the biggest hotel group on Crete, says: "We run a computerised energy control system at some hotels to make maximum use of solar panels. Over 70 per cent of hot water requirements year-round are covered by solar power and we use gas rather than electricity in the kitchens."

To help meet seasonal jumps in electricity demand, on islands popular with tourists, PPC has been laying undersea cables linking the Aegean islands with Greece's mainland grid. But Crete lies 60 miles farther south, where the seabed dips too sharply for a submarine link to be feasible.

Crete's two existing power stations, with total capacity of 340 megawatts, barely cover demand even in winter. As a stopgap measure, the plant at

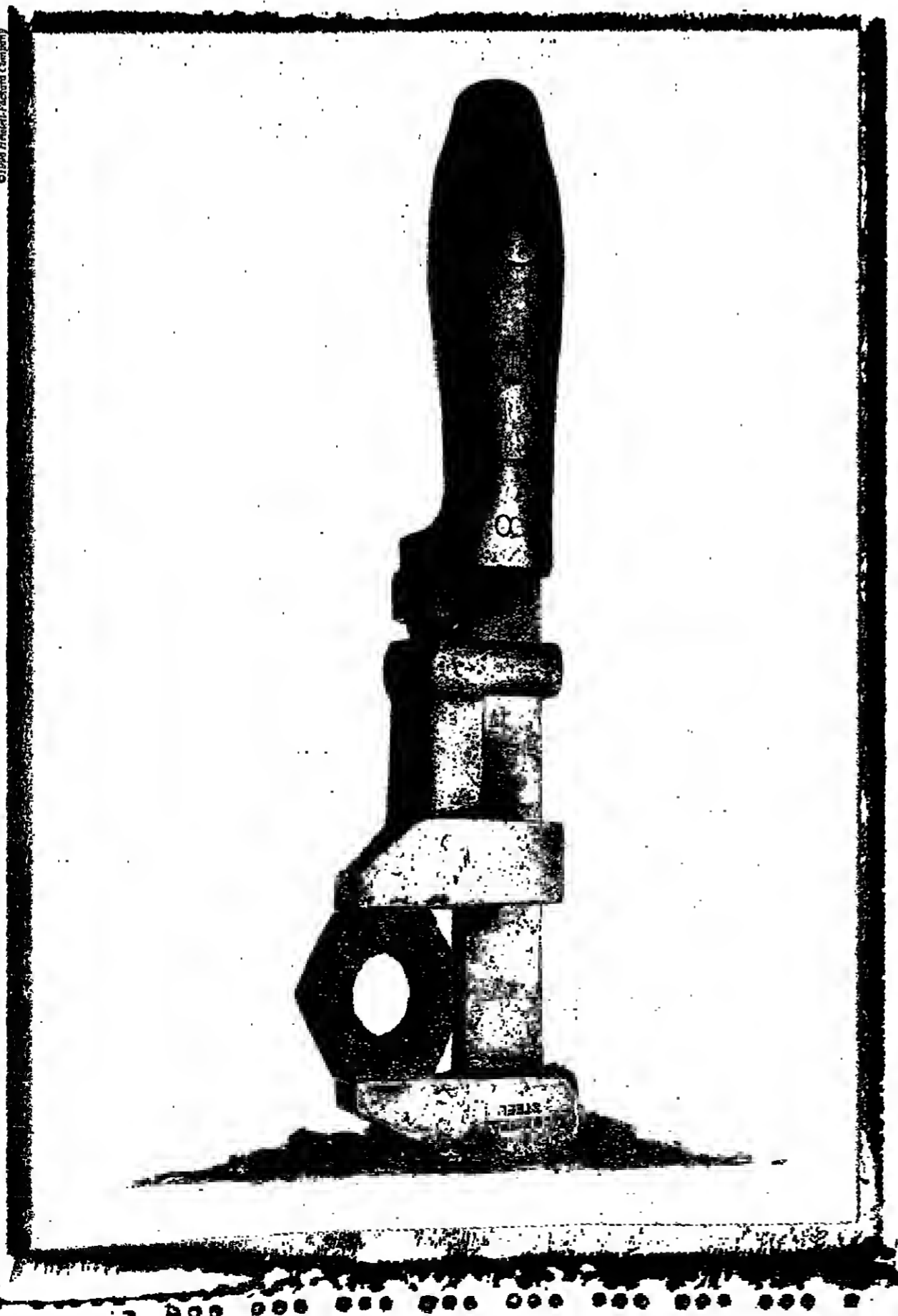
Hania in western Crete is due to be upgraded this summer, with an extra 440MW capacity to be provided by replacing two elderly turbines.

The new turbines arrived three months ago but are still in storage because of protests by Hania residents claiming they will increase atmospheric pollution at the diesel-fired plant.

However, PPC officials say they are confident that tendering for the construction of the third power station, a 150MW plant to supply eastern Crete, will go ahead as planned later this year.

Mr George Bamiedakis, PPC's deputy director for Crete, says the new site at Atherinolakkos "is so remote and rocky it's not used for grazing and couldn't be developed for tourism, so we don't think there are serious grounds for local residents to object".

Kerin Hope



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NEWS: INTERNATIONAL

Labour challenge on Israeli poll result

By Yaroslav Trofimov in Jerusalem

Israel's defeated Labour party is mounting a legal challenge against the validity of Mr Benjamin Netanyahu's election as prime minister in May, claiming that the number of fraudulent votes was larger than the new Israeli leader's narrow margin of victory.

Mr Yitzhak Rabin, the party's Knesset (parliament) faction spokesman, said yesterday checks on 15 per cent of the polling stations had found more than 15,000 discrepancies, mostly ballots cast in the name of people who were abroad or even dead on election day.

World Bank chief spells out shifts in emphasis in lending policies

By Robert Choate, Economics Editor

Corruption in developing and transition economies is undermining public support for spending on overseas development, Mr James Wolfensohn, the president of the World Bank, warned yesterday.



James Wolfensohn: 'Every step I take there will be criticism'

East Africa trio in currency link to help business

By Michele Wrong, Africa Correspondent

The currencies of Kenya, Uganda and Tanzania were declared convertible yesterday, as part of the three countries' drive to reduce business costs in the east African region.

High street banks were for the first time quoting the Tanzanian and Ugandan shillings against the Kenyan equivalent, putting an end to the practice whereby customers changing from one African currency into another would first have to convert into dollars.

Mr Wolfensohn said the bank had been studying corruption and possible cures. A year into his controversial presidency, he said people would soon see other shifts of emphasis.

Oil industry in Nigeria hit by 30% budget cut

By Paul Adams in Lagos

A 30 per cent cut in the Nigerian oil industry's 1996 budget will force a sharp drop in spending on upgrading old facilities and drilling new wells for the rest of the year, according to officials at Shell, the country's largest producer.

Mr Wolfensohn said he wanted the bank to give more encouragement to rural industry. "It keeps people out of cities, helps the environment, is less disruptive and keeps the social structure visible."

Oil industry in Nigeria hit by 30% budget cut

Escrows and Osco are installing most of their equipment this year. The main producers - Shell, Mobil and Chevron - want to invest more in Nigeria's oil industry, which accounts for more than 90 per cent of exports, but are limited by the government's contribution to the NNPC share.

Fifa kicks up fresh storm over TV rights

By Jimmy Burns

Fifa, world football's governing body, is facing a new row over its handling of negotiations on World Cup broadcasting rights as it prepares for its annual congress in Zurich tomorrow.

Palestinian group splits from PLO

The Popular Front for the Liberation of Palestine (PFLP) said yesterday it was suspending its membership in the Palestine Liberation Organisation and urged other groups to work to cancel the PLO-Israeli peace deals.

Mr Wolfensohn said "pretty confident" of an autumn deal but said "it will be a terrible mistake if it's lost because I don't see how [it could be] put it together again".

Palestinians in April changed their national charter, which included an article calling for Israel's destruction, to meet PLO commitments made under its 1993 peace deal with Israel. The PFLP, led by Mr George Habash, boycotted the meetings of the Palestine National Conference, or parliament-in-exile, which voted to scrap the article.

NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

Brussels rejects Japan chip call

The European Commission yesterday rejected a demand by Mr Ryutarō Hashimoto, Japan's prime minister, that the European Union scrap its semiconductor tariffs before being allowed to join talks on chip trade between Japan and the US.

Manila complaint against US

The Philippines has complained to the World Trade Organisation about a new US garment import law. "The WTO is our last resort because the issue is already beyond the control of the US implementing agencies, since the new ruling has been incorporated in a law," according to Mr Escobal Segovia, executive director of the Garments and Textile Exports Board.

Latin America TV plan move

Galaxy Latin America (GLA), the US-based direct broadcast satellite company, has inaugurated the second of three regional transmission centres in Caracas, as part of its plan to begin its DirecTV service to Latin America later this year.

Motorola's North Asia Cellular Infrastructure Division has won a \$68m contract to expand an analogue cellular phone network in Jiangsu, China. It will increase capacity to 600,000 commercial users from 250,000, making it China's second largest cellular system.

Hungary revs up for the fast lane

Foreign car and component makers are building up operations in the country, writes Virginia Marsh

Just seven years ago, Hungary produced no cars. It turned out vehicle components but almost exclusively for local truck and bus makers and for Russian Lada cars.

They are just two of a number of western car and component makers to have set up in Hungary since 1990. The sector is one of the fastest growing in Hungary, as the country moves away from steel, machine-building and the other heavy industries that used to dominate the economy.

The Hungarian government worked hard to attract the first carmakers, giving companies tax breaks and infrastructure development grants.

ITD, the government's inward investment agency, says a main objective now is to target component makers, especially in Germany.

Hungary's shiny new car industry



seven days a week - something they can't do back home. Western companies also hope to find new, local components suppliers although, to date, few have met with much success.

Latin America in piracy drive

By Alice Rawsthorn

The music industry is launching a campaign against piracy in Latin America, where record companies lost sales of nearly \$300m last year through unauthorised cassettes and compact discs.

Insurers protest at standard of ship crews

By Charles Batchelor, Transport Correspondent

The poor level of crew skills is pushing up the repair bill for many merchant ships and their insurers, the London-based Salvage Association said yesterday.

Inspections for Lloyd's of London and the Institute of London Underwriters. "The standard of crews who are maintaining and operating machinery at sea leaves a great deal to be desired," said Mr David Shephal, chief surveyor.

Common problems facing crews are the lack of a common language or the inability to understand either English or German, the main languages for instruction manuals.

concern. One ship sailing from Europe to South America had a crew of four. The master doubted a chief engineer even though he had no qualifications for the job. The cook had never been to sea and had no common language with any other crew member.

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Avis agrees to \$800m takeover bid from HFS

By Richard Tomkins in New York

One of the biggest employee buy-outs in the US looks set to be terminated following an announcement that Avis, the world's second biggest car rental company, has agreed to a \$800m takeover by HFS, a US franchising group.

HFS said yesterday it had reached agreement in principle to buy the company for \$800m in cash and \$300m in HFS common stock. On closing, the transaction, it said, it would spin off the Avis Rent A Car subsidiary to HFS shareholders, keeping the Avis name and the license fee income that went with it.

Avis is thought to be the world's second biggest employee-owned company after UAL, parent company of United Airlines, the US carrier which

became 56 per cent owned by its employees in 1984.

Avis employees agreed to buy the car rental company in 1987 from Wesray Capital Corporation, a US leveraged buy-out firm, for \$1.75bn. They are part-way through an employee share ownership plan under which they are paying off the debt incurred in the transaction in return for a gradually rising equity stake.

Mr. Howard Silverman, chairman and chief executive of HFS, said the employees' present ownership stake was about 50 per cent, with the balance held by General Motors. On completion of the plan, their stake would rise to 71 per cent.

GM was a principal source of finance for the 1987 employee buy-out and has a long-term fleet supply agreement with the company.

HFS said the takeover was

subject to reaching definitive agreements with the Avis employee stock ownership trust and GM, arranging satisfactory debt financing, and receiving regulatory approvals.

However, Avis's shares - which are not publicly traded - are believed to have performed poorly since the buy-out, and employees may be pleased to take the opportunity to sell them if they regard the premium as adequate.

HFS is a big franchisor of hotels, with rights to the Days Inn, Howard Johnson, Ramada and Travelodge names among others. It makes its money by licensing the rights to use well-established names in return for a fee income.

Mr Silverman said he saw "tremendous opportunities" to expand Avis by attracting new franchisees, outside the US as well as within it.

NEWS DIGEST

Southern sells stake in SWEB

The Southern Company of the US yesterday said it had raised \$180m from the sale of a 25 per cent interest in South Western Electricity, the UK regional electricity company, to a unit of PPAI Resources, a Pennsylvania-based utility.

The Southern Company paid \$1.1bn (\$1.7bn) for SWEB a year ago. Its sale to Power Markets Development Company, a subsidiary of Pennsylvania Power and Light, indicates that the stock of US utilities prepared to bid for an English electricity company in their own right may be more limited than UK investors think.

Mr Tom Boren, president of Southern Electric International, said the sale price enhanced Southern Electric's return on its investment in SWEB. SWEB is based in Bristol and provides electricity to 1.2m customers in south west England.

Mr Boren said the decision to sell a minority stake in SWEB reflected Southern's policy of bringing in minority shareholders. Southern Electric International will retain management and operational control of SWEB.

It is understood that SWEB's net assets, after debt and the divestiture of National Grid Group and its pump storage business, were a little less than \$400m. On this basis, the sale of 25 per cent for \$120m would appear to represent a good return for the Southern Company. A spokesman confirmed that the company had "received a modest premium" on the value of its investment. Southern Company's plans for further expansion in the UK were stymied by the UK government in May when it warned the company not to pursue its hopes of acquiring National Power, Britain's biggest generator.

Simon Holberton

Toys R Us looks to Italy

Toys "R" Us, the US toy retailer, yesterday announced a deal that will allow it to start opening superstores in Italy next year, the last big European market in which it does not already operate. It has reached a franchise agreement with Toy Service, a Turin-based family company with 12 stores modelled partly on the Toys "R" Us concept.

Mr Louis Lipschitz, chief financial officer of Toys "R" Us, said it had entered the Italian market through a franchisee because it was "a little bit more difficult to do it on your own". He said Toys "R" Us superstores would be a combination of new stores and conversions of some of the larger Toy Service stores, with five openings expected this year.

Italy's strict planning and retail licence laws make it difficult for foreign retailers to enter the market. In April, McDonald's, the US fast food chain, signed a letter of intent to buy 80 Burger King restaurants from Cremenini, a private food and catering group, to increase its weight in the country. The retail market for toys in Italy is estimated at L3,000bn (\$1.96bn) a year.

Andrew Hill Milan, Richard Tomkins, New York

Warner-Lambert sale

Warner-Lambert, the US pharmaceuticals and consumer products company, has completed a substantial part of its \$1.05bn buy-out of Warner Wellcome by closing the acquisition of the US and European interests in the joint venture from British Glaxo Wellcome. The purchase agreements for Canada, Mexico, Australia and New Zealand were not expected to be signed until this year's third quarter.

Richard Tomkins

General Re strengthens position with plan to buy National

By Ralph Atkins, Insurance Correspondent

General Re, the Connecticut-based reinsurance group, yesterday announced the \$940m planned acquisition of US rival National Re, marking a further consolidation in the international business of protecting insurance companies against big losses.

National Re shareholders are offered \$55 in cash or General Re stock under an agreed deal which would reinforce the larger reinsurers' position as the third biggest in the world, behind European rivals Munich Re and Swiss Re.

Mr Ronald Ferguson, General Re chairman, said the deal, which is subject to regulatory and shareholder approval, "complements and solidifies" the group's position as the leading US reinsurer.

The move is a further example of a trend towards larger, highly-capitalised reinsurance

companies able to withstand the cost of large natural catastrophes. It also reflects a growing demand from reinsurance buyers for greater financial security.

General Re said the cash part of the deal would be financed internally. The acquisition was expected to be completed in the fourth quarter and would not dilute 1997 operating earnings.

National Re is mostly US-orientated, focusing on small and medium regional and specialist insurers. Mr William Warren, National Re chairman, said the General Re link would "provide us with the opportunity to expand our scope and better utilise both companies' expertise and resources".

General Re's latest move follows its purchase in 1994 of a controlling stake in German reinsurer Cologne Re - subsequently increased to more than 70 per cent. US-based rival Employers Re has also expanded

into Europe, acquiring an interest in Frankona, another German reinsurer.

Yesterday's deal coincided with the announcement by Ace, the Bermuda-based insurer, that it had acquired Tempest Re, the property catastrophe reinsurer.

Ace specialises in providing insurance against excessive losses with products which are similar to some reinsurance contracts. As such, the Ace/Tempest deal is seen by observers as another example of consolidation in the sector.

General Re had a 20.5 per cent stake in Tempest for which it received \$215m.

Speculation about further reinsurance deals was increased by last week's decision by Prudential the UK-based life insurer, to list its life and health reinsurance subsidiary Mercantile & General. That move was seen as paving the way for its acquisition by a larger rival.

US exchanges seek to stem fall in volumes

Traders fear for their future as liquidity disappears, reports Laurie Morse

Trading volume in currency futures and options listed on US exchanges is declining again this year, after falling more than 20 per cent in 1995, and the exchanges that sponsor the contracts are taking unusual, and in some cases desperate, steps to stem the decline.

Traders say privately that currency products have lost so much liquidity that their future is in doubt. The contracts have become victims of consolidation in the US banking industry and of fundamental changes in the foreign exchange markets.

At the Chicago Mercantile Exchange, the dominant market for these contracts, a number of high-profile firms, including Merrill Lynch and Bank of America, have closed down or cut their currency operations. The floor population has dropped to such an extent that one CME committee recently discussed relegating currency trading to a back room, so precious floor space could be used to expand the more vital Eurodollar pit.

In the Philadelphia options market, the contraction is even more evident, with the trading floor empty for long periods. The problems are so great that analysts say the usual remedy for a lag in business - more market volatility - may not be sufficient to keep the

exchanges' currency products from dying.

After trying mostly unsuccessfully to boost volume with novel new contracts and rules that allow large orders to be filled more cheaply and efficiently, the CME will take a new and radical tack this year.

The exchange has hired its own chief currency dealer, and is planning to open a wholly-owned foreign exchange trading subsidiary, employing traders to turn up the volume in its products. The subsidiary's proprietary trading desk will have the aim of making such narrow markets in CME currency contracts on the exchange's overnight trading system - Globex - that other dealers will be drawn in.

The plan is controversial - exchanges generally leave market-making to their members - but executives say volume losses have reached a point where bold measures are required.

Exchange-traded currency contracts have traditionally appealed to customers too small to deal in the interbank market - retail investors and managed funds in particular. During the 1980s, banks also came in the pits to arbitrage the differences between futures and forward prices. Now, for a combination of reasons, this customer base is shrinking.

The proliferation of mutual

funds and "managed futures" gives retail customers opportunities to take a view on currency movements that did not exist a few years ago, and makes it unnecessary for individuals to trade directly on the exchanges.

Ordinarily, that volume would still flow to the exchanges through fund trading, but increasingly the hedge funds that have been the exchange's best customers have grown so large that they have the capital and the credit to bypass the exchanges and trade directly, and more

cheaply, with other big institutions in the interbank market.

Meanwhile, the advent of electronic foreign exchange trading systems like Reuters Dealing 2000 and EMS has cut banks' foreign exchange trading margins to the bone, and consolidation in the banking industry has left the market with fewer currency traders.

"There are fewer banks now, and fewer proprietary trading desks," says Mr David Goun, marketing manager for foreign currency and interest rate products at the CME. "At the same time, the foreign exchange industry is changing, and currency trading is less profitable."

For several years, the exchanges have responded by revising their products and systems so they look more like the interbank market. More recently, they have also been diversifying into more exotic currencies, and courting customers that need the credit equality that a futures exchange clearing house offers.

Some of these initiatives have been successful, but none of them have generated enough new volume to offset losses in the exchange's main currency businesses.

At the Philadelphia Stock Exchange, for example, volume in core years, Deutsche mark and Swiss franc options contracts is down 63 per cent this

year. While turnover in new options contracts that allow traders to customise expiration dates and other features with interbank-like flexibility has more than doubled through May, the exchange still had a net 30 per cent volume loss in its currency options.

In Chicago, the only bright spot on the currency horizon is the Mexican peso. The CME's year-old peso contract is growing, traders say, because it is the only game in town - currency restrictions in Mexico limit interbank trading in peso.

But Hunt Taylor, managing director of Finex Europe, believes exchange-traded currencies will survive by providing something close to the interbank environment while offering the benefits of an organised exchange - price transparency and a clearing house that equalises credit risks for even the smallest traders.

The tiny Finex, the financial futures and options division of the New York Cotton Exchange, managed to expand its currency volume this year by doing just that.

"The Finex has a different concept," Mr Taylor said. "We see ourselves more like a cash trading desk, and our trading architecture is a hybrid between the interbank market and a futures exchange."

This announcement appears as a matter of record only

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Issue of Convertible Bond
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Issue of Ordinary Shares
April 1996
US\$ 70,000,000
Price NOK 15 per share

FIBA Nordic Securities (UK) Limited Orkla Finans Fondsmegling AS

Jenkins resigns as head of Canadian Airlines

By Robert Gibbons in Montreal

Mr Kevin Jenkins, 29, has resigned as president and chief executive of troubled Canadian Airlines International, Canada's second largest carrier, and is being succeeded by Kevin Benson, chief financial officer.

Mr Jenkins has led Canadian Airlines for five years through its worst ever financial crisis. His resignation came just a day after he signed a contract with the International Association of Machinists, its most militant union. The union leaders had set a precedent by ordering their members to accept the company offer.

Mr Jenkins was worn out by five very tough years and he gave us time to find a replacement," said Mr Don Kirby, a senior executive with Canadian when it was owned by Canadian Pacific and now chief executive of American Airlines. A cash injection by

American two years ago helped Canadian survive the recession.

Although some unions and shareholders had publicly called for his resignation, Mr Jenkins had overseen a C\$700m (US\$512m) restructuring to hold down operating costs, helped to negotiate the 33 per cent ownership link with American, completed sale and lease-backs of aircraft and expanded Asian routes. However a new round of competition is shaping up with the formation of several charter airlines in western Canada.

The second quarter has been stronger, but Canadian lost C\$111m in the first quarter after special charges, on top of a C\$150m loss in 1995.

Mr Benson joined Canadian last October as chief financial officer after a stint with Triwest, the North American property group saved from collapse by Mr Peter Munk, chairman of B&W-GM.

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FT Surveys

COMPANIES AND FINANCE: ASIA-PACIFIC

Eastern Comm gets approval for Shanghai listing

By John Fiddling in Hong Kong

Eastern Communications, the Chinese manufacturer and distributor of mobile telecoms equipment, yesterday announced plans to raise more than US\$70m through a listing on the Shanghai stock exchange.

China's B-share markets, in Shanghai and Shenzhen, as market regulators have clamped down on local buying of B-shares.

The Shanghai B-share market, although less volatile than Shenzhen's, fell by almost 4 per cent yesterday after the China Securities Regulatory Commission reaffirmed the B-share ban on domestic investors.

Mr Shi Jixing, Eastern's chairman, said approval had been received for the issue and the company planned to list next month.

Company of Eastern and one of the operating arms of the MPT. Eastern executives said that the group was China's largest supplier of cellular mobile telephones and cellular mobile systems equipment among the 27 groups under the supervision of the PTIC.

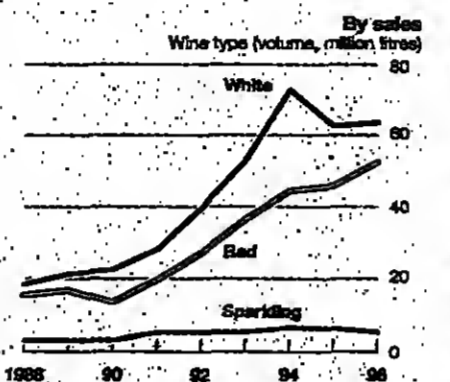
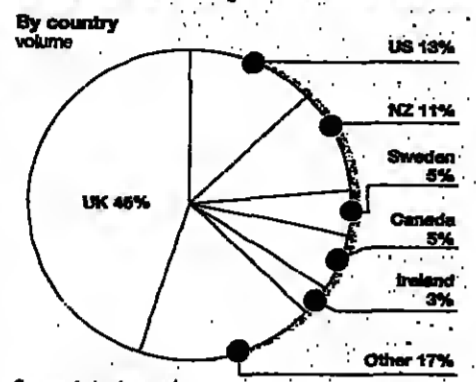
The 100m share issue is to be priced in a range of Yn6.44 to Yn7.20 per share. Based on this, the fully diluted prospective price-earnings ratio is 7.19-7.98.

Chilling prospect for smaller wine growers

Halting the trend of Australian vineyard takeovers is a vain hope, writes Nikki Tait

In a matter of days, Southcorp Holdings, the Adelaide-based conglomerate, is likely to take over Coldstream Australasia, the smallest of the country's listed wineries but highly-regarded.

Australian export wine sales



BRL Hardy, and Orlando Wyndham, which is controlled by Francis Pernod-Ricard and Mildara Blass/Foster's - account for more than 70 per cent of AS\$1.4bn of annual sales (domestic and export).

There is also the question of investment. The industry has had great ambitions since it started to get its bottles on overseas shelves a decade ago.

Such an objective, it suggested, could be achieved partly through a fivefold increase in the volume of exports to the US, partly from a doubling of UK sales, and partly by making some fairly dramatic inroads into the Japanese and German markets.

BHP looks to 'change structure' of steel division

By Nikki Tait in Melbourne

Broken Hill Proprietary, the Australian resources group, said that it was aiming to "change the structure" of its large steel division, in an effort to escape the traditional cyclical nature of the unit.

Mr Ron McNeilly, head of the steel division, told analysts and investors at the company's annual presentation in Melbourne yesterday.

20 per cent fall in group profits. The company also took a \$222m abnormal charge to cover the write-off of steel-making assets in Newcastle.

and can't be made to add value, we'll get rid of them. We will be looking at every steel business and every facility. Nothing will be immune.

Hong field if oew fiscal terms could not be agreed with the government.

Advertisement for TRICOM S.A. Dominican Republic, offering US\$ 60,000,000 MEDIUM TERM FINANCING. Arranger: ING BANK. Participants: SCOTIABANK, THE CHASE MANHATTAN BANK, N.A., ING BANK, CREDITANSTALT-BANK VEREIN. Agent: ING BANK.

Advertisement for IMF/World Bank: World Economy & Finance. The Financial Times plans to publish a Survey on Friday, September 27. To coincide with the IMF/World Bank meetings in Washington in 1996. Special distribution to 6000 delegates at the meeting. New emerging markets section.

Advertisement for FINCOR. MONECOR (LONDON) LIMITED FINACOR GROUP. Fincor Lisbon is pleased to announce the opening of the Portuguese Futures Exchange from the 20th June 1996. Fincor, Portugal's leading independent broker, will be doing its utmost to ensure the success of this major development to Portuguese Capital Markets.

Advertisement for Les Echos. The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.

Advertisement for Britannia. \$150,000,000 Floating rate notes 1997. For the period 23 June 1996 to 30 September 1996 the notes will bear interest at 5.0435% per annum. Interest payable on the relevant interest payment date 30 September 1996 will amount to \$154.47 per \$100,000 note and \$1,544.73 per \$100,000 note.

Advertisement for WOOLWICH - Building Society. \$175,000,000 Floating rate notes due 1997. Notice is hereby given that the notes will bear interest at 6.0625% per annum from 23 June 1996 to 30 September 1996. Interest payable on 30 September 1996 will amount to \$155.70 per \$100,000 note and \$1,557.04 per \$1,000,000 note.

Advertisement for RPS Residential Property Securities No.3 PLC. \$150,000,000 Class A2 Notes, \$5,000,000 Class B Notes. Mortgage Backed Floating Rate Notes due 2025. In accordance with the provisions of the Notes, notice is hereby given that for the three month period 28th June 1996 to 27th September 1996, the Class A2 Notes and Class B Notes will carry an interest rate of 6.095% and 7.125% per annum respectively. The interest payable per \$100,000 Note will be \$1,467.75 for the Class A2 Notes and \$1,771.53 for the Class B Notes.

JAVICO 150

COMPANIES AND FINANCE: UK

S&N achieves 16% underlying rise

By Roderick Oram, Consumer Industries Editor... Scottish & Newcastle, reaping the benefit of its heavy investment in pubs and brewing...

pre-tax profits of around £370m free of exceptional items, a rise of some 20 per cent... Bass would hope to derive large cost savings and improved beer portfolio...

Carclo ahead 9% but shares hit by warning

By Tim Burt... Carclo Engineering, the specialist steel and industrial wire manufacturer, yesterday accompanied a 9 per cent increase in full-year profits...

suffered in recent months from volatile raw material prices and slowing demand... Ian Williamson (left) with David Adam, finance director...



BTR disposal raises £80m

By Tim Burt... BTR, the industrial conglomerate, yesterday announced the sale of its disposal engine subsidiary...

DIY Retailing

The disaster at Wickes must have other Do-It-Yourself retailers rubbing their hands... Wickes is showing signs of life again...

Coca-Cola dampens Cadbury's efforts

By Roderick Oram, Consumer Industries Editor... Intense competition from Coca-Cola is blunting Cadbury Schweppes' efforts in the US...

Glaxo Wellcome strengthens Aids position

By Clive Cookson, Science Editor... Glaxo Wellcome, the UK pharmaceutical group, has strengthened its position in the Aids market...

141W94 is Glaxo's most advanced candidate in the class of Aids drugs known as protease inhibitors... Glaxo Wellcome also said yesterday that it had completed the sale of its US and European interests...

Table with columns: Share, Price, P/B, Dividend, etc. Lists various shares like Aberdeen Stock S, Associated Banking, Boco, etc.

Blick's \$2.7m link-up

By Christopher Price... Blick, the timing, access and security group, is setting up a joint venture with Amano Corporation of Japan...

Tyco pays £138m for Thorn Security... Every day, we help thousands of people like Zoe fight cancer... Give people with cancer a fighting chance...

FAIRCHILD AIRCRAFT... Dornier Luftfahrt GmbH... Daimler-Benz Aerospace AG... Price Waterhouse Coopers France

Handwritten note: من الأصل

INTERNATIONAL CAPITAL MARKETS

Treasuries off lows ahead of FOMC meeting

By Lisa Branstetter in New York and Samer Iskander in London
US Treasury prices were off their session lows by early yesterday afternoon as traders looked to the two-day meeting of the Federal Reserve's Open Market Committee, which is set to begin today.

Some analysts said the details of the NAPM report, which shows the price index, were positive to the bond market despite the stronger manufacturing activity. Most economists do not believe the Fed will raise interest rates at this week's meeting.

components "show potential capacity pressures," said Mr. Richard Gilkroy, international bond strategist at Paribas Capital Markets in New York. He said quarterly portfolio adjustments may have had something to do with the relative stability on the market.

June month-on-month, and 7.3 per cent year-on-year. Economists at Fiera Group believe these figures herald stronger retail sales in the near future. A rise in the Purchasing Managers' Index to 50.9, from 47.6 in May, also reinforced the feeling that the economy might be more robust than previously thought.

close at 121.88. In the cash market, 10-year OATs yielded 2 basis points less than equivalent bonds, unchanged from Friday. Ms Sharda Persaud, a European economist at San Paolo Bank, believes there is still room for the French and German central banks to cut interest rates this summer, if German M3 money supply growth is "reasonable", but she warns that "the end of the interest rate easing cycle is near".

Greek markets reacted positively to the nomination of Mr. Costas Simitis as prime minister. Athlone's Athens Interbank offered rates - eased sharply as traders considered that political uncertainty had faded. The one-month rate closed at 14.21 per cent, down 1.21 from Friday, while the 12-month rate fell 59 basis points to 14.71 per cent. Declining inflation is also seen as a supportive factor.

Good response to offerings from Peru and India

By Richard Lapper in London and Sally Bowen in Lima
International investors have responded positively to a \$1bn plus equity offering from Peru and a \$500m global depositary receipt issue from India, signalling the growing popularity of emerging markets.

Jardine Fleming said the issue had met with an "exceptional reception from existing investors in India and equities in the market". The issue was priced at \$7.56 per GDR, each equivalent to one share, representing a 6.11 per cent premium on the three-day average closing share price on the Bombay Stock Exchange.

Parmalat taps lira sector with L500bn five-year FRN

By Antonia Sharpe
Parmalat, Italy's fast-expanding dairy products group, yesterday became the first Italian company for well over a decade to tap the lira sector of the eurobond market. The strong demand for the transaction raised hopes that other Italian companies would turn to the eurobond market as an alternative to the syndicated loans market.

Parlatat's high profile among domestic and foreign investors, together with the current lack of lira-denominated FRNs which offer a healthy margin over the London interbank offered rate (Libor), twice in the offering being twice over-subscribed, and prompted the company to increase the size of the deal from an initial target of L400bn.

The margin on Parmalat's notes of 50 basis points over Libor compared with an average margin of 15 basis points on FRNs issued by banks, but Credito said Parmalat's margin was in line with the terms it achieved in the syndicated loans market.

German and French bonds traded in line with US Treasuries. Life's September bond future settled at 95.70, unchanged, while Matti's notional contract lost 0.12 to 121.88.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Bookrunner. Lists various international bond issues including Eurobonds, FRNs, and other international debt.

EMERGING MARKET ISSUES

York late yesterday, while the Indian offer, the country's first since the formation of the new United Front government, was priced in London. Demand for international investors for Telefonica shares was described as "extraordinary" by Mr Javier Torralba, head of Peru's special committee for citizen participation, which is co-ordinating the sale of shares to retail investors.

WORLD BOND PRICES

Table showing benchmark government bond yields for various countries including Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

BOND FUTURES AND OPTIONS

Table showing bond futures and options prices for various countries including France, Germany, and UK Gilts.

FT-ACTUARIES FIXED INTEREST INDICES

Table showing fixed interest indices for various countries including UK Gilts, France, Germany, and US Treasury.

FT/FISMA INTERNATIONAL BOND SERVICE

Table showing international bond service data for various countries including US Dollar, Swiss Franc, and other international currencies.

US INTEREST RATES

Table showing US interest rates for various terms including Treasury Bills and Bond Yields.

UK GILTS PRICES

Table showing UK Gilts prices for various maturities including Short, Medium, and Long term.

CONVERTIBLE BONDS

Table showing convertible bond prices for various companies including Allied Domecq, Anglo American, and others.

FRANCE

Table showing French bond futures and options prices for various maturities.

GERMANY

Table showing German bond futures and options prices for various maturities.

OTHER FIXED INTEREST

Table showing other fixed interest rates for various countries including Australia, Canada, Denmark, and others.

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CURRENCIES AND MONEY

MARKETS REPORT

Forex markets buckle under weight of expectation

By Philip Gawth

Foreign exchange markets yesterday buckled under the weight of expectation that the G-7 summit in Lyon, France, would be followed by a post-G7 torpor, seemingly overwhelmed by the weight of events which lie ahead during the rest of the week.

Analysts spent most of the day writing through the ruses of the weekend G7 summit in Lyon, but the lack of price action led to the collective conclusion that their readings on currencies did not appear to add up to more than "noise of the same".

The dollar closed little changed in London at DM2.9625, from DM2.9525, and at ¥109.515, from ¥109.585.

The biggest winner of the day was sterling, which rallied against both the D-Mark and the dollar, finishing at DM2.9701 and \$1.5568, from DM2.9651 and \$1.5541.

The trade-weighted index finished up at 85.5, from 85.3. Traders said the UK currency had benefited from the June UK pur-

chasing manager's index and M3 money supply growth numbers, both of which dampened speculation about a possible cut in rates. Labour party dissolution was cited implausibly as being positive by people who had hitherto said the market was now more scared of the incumbent government than a Labour successor.

There was little movement in Europe, save for an appreciation of the Swiss franc, on fears about the health of President Velasco ahead of the Russian second round elections on Wednesday. The franc closed at 82 centimes against the D-Mark, from 81.2 on Friday.

If the G-7 was seeking to leave its true intentions towards the currency markets, it was not clear. The market was more of a "noise of the same".

It appears to have succeeded. Markets are unsure how to analyse the move from talking about an "orderly reversal" of dollar weakness, to describing the recent correction in the main rates as "positive and promising".

Mr Stephen Lewis, analyst at the London Bond Broking Company, said: "It all comes down to the question what exactly the rate developments 'promise'. For those who are looking for yet further strength in the US dollar, the answer may seem to be more movement by exchange rates in the direction they have taken in the past year.

To those who believe that the current set of exchange rates represents the most perfect approximation to the economic fundamentals achieved in the history of mankind, as Mr Camdessus asserted last week, the promise is of non-inflationary growth in economies.

There were some press reports that the meeting was divided, with some countries, including Japan, apparently wanting the statement to call explicitly for a stronger dollar, while the US and others rejected this stance.

The motivation for the Japanese stance, if it is correctly reported, lies in economic weakness. Mr Carl Weinberg, chief economist at High Fre-

quency Economics in New York, says: "The problem is that Mr Washington is out of policy options with which to respond to his still growing economic crisis. Yet devaluation is the only macroeconomic policy left, with interest rates down near zero and fiscal policy tapped out."

Mr Joe Prandergast, analyst at Merrill Lynch in London, said reports of the US avoiding explicit mention of the dollar in the communiqué had "deflated any pro-dollar sentiment that was present before the meeting. It does not get the dollar bulls much to feed on at this point." He said the downside for the dollar also appeared very limited and that it was likely it would stay within recent flat ranges.

Traders had some reason to be stand-offish yesterday, given the multiple "event risks" that exist in the form of the FOMC meeting starting today, the Russian elections

tomorrow, the Bank of Japan branch managers meeting, as well as industrial production data in Germany and the employment report in the US.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said there were three factors currently supporting the dollar and "high-yielders". These were investors' high appetite for risk, the possibility that election uncertainty in Russia would drag the dollar lower, and the disappointment dollar bears would feel in the G-7 communiqué. He said they "avoided references to the dollar like the plague," disappointing those who had hoped they would say the dollar had moved far enough.

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WORLD INTEREST RATES

Table with columns: Money Rates, July 1, One month, Three months, Six months, One year, Lomb. Inter., Dis. rate, Repo rate. Rows include Belgium, France, Germany, etc.

EURO CURRENCY INTEREST RATES

Table with columns: Short term, 7 days notice, Three months, Six months, One year. Rows include Belgium, Denmark, etc.

POUND SPOT

Table with columns: Jul 1, Closing, Change, Bid/Offer, Day's bid, One month, Three months, One year, Bank of England. Rows include Europe, Australia, etc.

EURO SPOT

Table with columns: Jul 1, Closing, Change, Bid/Offer, Day's bid, One month, Three months, One year, Bank of England. Rows include Europe, Australia, etc.

DOLLAR SPOT

Table with columns: Jul 1, Closing, Change, Bid/Offer, Day's bid, One month, Three months, One year, JP Morgan. Rows include Europe, Australia, etc.

EURO CURRENCY

Table with columns: Jul 1, Closing, Change, Bid/Offer, Day's bid, One month, Three months, One year, JP Morgan. Rows include Europe, Australia, etc.

CROSS RATES AND DERIVATIVES

Table with columns: Exchange Cross Rates, Jul 1, Bid, Offer, etc. Rows include Belgium, Denmark, etc.

UK INTEREST RATES

Table with columns: London Money Rates, Jul 1, Bid, Offer, etc. Rows include Bank of England, Treasury Bills, etc.

EUROPEAN CURRENCY UNIT RATES

Table with columns: Jul 1, Bid, Offer, etc. Rows include Belgium, Denmark, etc.

BASE LENDING RATES

Table with columns: Base Lending Rates, Jul 1, Bid, Offer, etc. Rows include various banks.

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PEWCO U.S. \$65,000,000 Pacific Electric Wire & Cable Co., Ltd. (Incorporated as a limited liability company in Taiwan, Republic of China) 3% per cent. Bonds Due 2001. NOTICE IS HEREBY GIVEN to the holders of the outstanding Bonds that the Company has announced a bonus issue of 127,074,000 shares at NT\$10.00 per share with a record date of July 27, 1996.

BAHRAIN INTERNATIONAL BANK (E.C.) (SIN) S.M.B. Floating Rate Notes due 2001. Notice is hereby given that the rate of interest for the period from July 2nd, 1996 to January 2nd, 1997 has been fixed at 2.50% per annum.

BANQUE NATIONALE DE PARIS Programme for the issuance of Debt Instruments. Floating Rate Notes due 1997. Notice is hereby given that the rate of interest for the period from June 29th, 1996 to September 27th, 1996 has been fixed at 6.75% per annum.

SEARCH. The private bank and trust company limited. is pleased to announce that it has acquired MM & K LIMITED.

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ALLIANCE LEICESTER Alliance & Leicester Building Society. £200,000,000 Floating Rate Notes due 1996. For the interest period 27th June, 1996 to 27th September, 1996, the interest will carry a Rate of 6.75% per annum.

BANQUE NATIONALE DE PARIS Programme for the issuance of Debt Instruments. Floating Rate Notes due 1998. Notice is hereby given that the rate of interest for the period from June 29th, 1996 to September 27th, 1996 has been fixed at 6.75% per annum.

COMMODITIES AND AGRICULTURE

Caribbean growers seek truce in banana battle

By Carole James in Kingston
Caribbean banana exporters, whose preferential access to the European market is under attack from the US and several Latin American producers, are seeking a truce in the row.

Caribbean and Pacific group, with which the EU has a trade treaty, and imposes quotas on imports of bananas from Latin American countries. US banana companies operating in Latin America claim that the EU regime is discriminatory.

Caricom producers claim that the dismantling of the EU regime and an opening of the market would destroy their banana industries because they would be unable to compete with cheaper Latin American fruit.

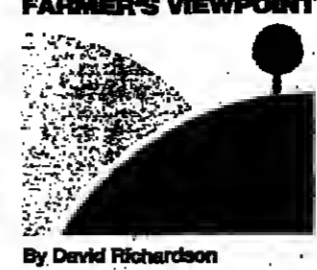
MARKET REPORT Coffee price slides as frost scare passes

London Commodity Exchange robust COFFEE futures ended sharply lower yesterday after a sell-off following a frost-free weekend in Brazil. Independent forecaster Weather Services Corp said there was no damaging cold over key coffee areas at the weekend but there might have been some patchy frost in Panama state.

BSE teaches meat producers the importance of quality assurance

The job must not just be done right but be seen to be done right

The Royal Agricultural Show, which opened for its 4-day run yesterday, is billed by its organisers as a business event. Some business is undoubtedly done there and more initiated, requiring further negotiation to seal the deal.



By David Richardson

Scotland got off to an equally slow start. At the end of 1994 membership of FABI had grown to 1,000 and a year later to 2,000. The scheme was clearly gathering momentum and by March 20 1996, the day on which Mr Stephen Dorrell made his fateful announcement in the House of Commons on the possibility of a link between BSE and Creutzfeldt-Jakob Disease, its human equivalent, 4,000 beef farmers had signed up.

Plans are therefore being made to try to provide whole crop or better still whole farm traceability and quality assurance to acceptable standards. The scheme which is being driven by the NFU and Leaf (Linking Environment and Farming) of which I am chairman, and worked out in conjunction with the entire food trade is unlikely to be ready for the coming harvest.

Texas retracts strawberry health warning

By Christopher Parkes in Los Angeles
Texas health officials have retracted a warning against eating fresh strawberries that had fuelled a parasite-poisoning scare in several US states and sparked a clash with California's powerful farming lobby.

Reports of further isolated cases were still coming in, the state health department said, but "we have found no new clusters to support continuing the advisory against eating strawberries". Of 68 cases reported in Texas, 62 occurred in Houston.

The California Strawberry Commission on Wednesday issued a statement saying no traces of cyclospora had been found on crops grown in the state, and attacking the Texas authorities. "The rush by Texas health officials to indict strawberries has made it considerably more difficult to find the real source of the problem," it said.

break, a desert suspected as the prime source included one strawberry per serving as a garnish, the commission claimed. Coming at the peak of a promising season, after two poor crop years for Californian growers, the Texas action was followed by similar warnings in New Jersey and Toronto, Canada, although federal disease control agencies issued no recommendations.

COMMODITIES PRICES

BASE METALS

Table with columns for metal types (Aluminum, Copper, Lead, Tin, Zinc), grades, and prices per tonne.

Precious Metals continued

Table with columns for gold, silver, platinum, and palladium prices.

GRAINS AND OIL SEEDS

Table with columns for wheat, maize, barley, and soyabean prices.

SOFTS

Table with columns for cocoa, coffee, and sugar prices.

MEAT AND LIVESTOCK

Table with columns for live cattle, live hogs, and pork bellies prices.

LONDON TRADED OPTIONS

Table with columns for various option contracts and their prices.

ENERGY

Table with columns for crude oil, heating oil, and natural gas prices.

PRECIOUS METALS

Table with columns for silver, gold, and platinum prices.

NATURAL GAS NYMEX

Table with columns for natural gas prices in different regions.

UNLEADED GASOLINE

Table with columns for unleaded gasoline prices in different regions.

FUTURES DATA

Table with columns for various futures contracts and their prices.

VOLUME DATA

Table with columns for volume data for various commodities.

JOTTER PAD

A grid-based jotter pad for notes or calculations.

CROSSWORD

Crossword puzzle grid with clues and a solution key.

ACROSS 1 To munch one on a vessel is a sporting contest (12) 2 Repeated to end my association with miles (7) 3 The Danish in Paris, for example (7) 4 Update the lady with a direction (5) 5 Dig around in dilapidated shed and become heavier (8) 6 Fighters search a square in front of workers (10) 7 Short note to Mafus doctor (4) 8 Drinks have a little twist on reflection (4) 9 Guardian's role: surround a number with an armed vessel (5) 10 Perhaps once surrounded a body of water (6) 11 See 30 down 12 One who expels oriental winner (7) 13 Power source singled Eileen deathfully (8,8)

There was fair demand this week reports the Tea Brokers Association. Landed, a few selected best East African side with firm rates but the remainder were 2 to 3 pence off. Offerings, good competitor but prices modest 1 to 3 pence lower. Quotations: Best available 110/10g. Good 116/10g. Good medium 110/10g. Medium 109/10g. Low medium 107/10g. The highest price realised this week was 131/10g for a Kenya.

INDICES Jul 1 Jun 26 month ago year ago 3006.4 3009.5 2112.3 2276.3

CHB Futures (Base: 1987=100) Jan 26 248.27 1987=100 year ago 206.52 204.27 208.19 175.68

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 633 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIS RECOGNISED)

Table listing various offshore funds under the Bermuda (SIS RECOGNISED) category, including fund names, managers, and performance metrics.

BERMUDA (REGULATED)

Table listing various offshore funds under the Bermuda (REGULATED) category, including fund names, managers, and performance metrics.

GUERNSEY (SIS RECOGNISED)

Table listing various offshore funds under the Guernsey (SIS RECOGNISED) category, including fund names, managers, and performance metrics.

GUERNSEY (REGULATED)

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IRELAND (SIS RECOGNISED)

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ISLE OF MAN (SIS RECOGNISED)

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FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4378 for more details.

Main table containing fund names, prices, and performance metrics. Includes sub-sections for LUXEMBOURG (REGULATED), Offshore Funds, and Insurances.

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OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (+44 771) 878 4878 for more details.

Main table containing fund names, prices, and performance metrics. Includes sections for 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.



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JAYCO LTD

July 2 1996

BUY TRUSTS SPLIT CAPITAL - Cont.

Table listing various buy trusts and split capital investments with columns for company names and financial data.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for company names and financial data.

OTHER FINANCIAL - Cont.

Table listing other financial services companies with columns for company names and financial data.

PROPERTY - Cont.

Table listing property-related companies with columns for company names and financial data.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for company names and financial data.

AM - Cont.

Table listing American companies with columns for company names and financial data.

OTHER INVESTMENT

Table listing other investment opportunities with columns for company names and financial data.

LIFE ASSURANCE

Table listing life assurance companies with columns for company names and financial data.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for company names and financial data.

RETAILERS, FOOD

Table listing food retailers with columns for company names and financial data.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for company names and financial data.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for company names and financial data.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for company names and financial data.

OTHER FINANCIAL

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PROPERTY

Table listing property-related companies with columns for company names and financial data.

RETAILERS, GENERAL

Table listing general retailers with columns for company names and financial data.

TRANSPORT

Table listing transport companies with columns for company names and financial data.

WATER

Table listing water utility companies with columns for company names and financial data.

Advertisement for Merseyside investment: 'WE ARE RE-INVESTING ON MERSEYSIDE BECAUSE OF ITS TWO FUNDAMENTAL ASSETS ITS LOCATION AND ITS WORKFORCE'. Includes contact info for Robert O'Neil, Chief Executive, Thistle PLC.

GUIDE TO LONDON SHARE SERVICE

Notes for the London Share Service delivered by FT Stock, a member of the Financial Times Group. Includes information on company classifications, data sources, and calculation methods.

FT Free Annual Reports Service

Information about the FT Free Annual Reports Service, including how to obtain current annual/interim reports and contact details.

LONDON STOCK EXCHANGE

MARKET REPORT

The feel-good factor returns to boost equities

By Steve Thompson, UK Stock Market Editor

London's equity market built on last Friday's bond-led recovery, responding to the start of the third quarter and hopes of an influx of institutional cash.

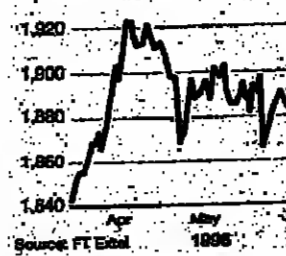
more than 30 points in early trade. At the end of a session featured by a low level of institutional activity, the FT-SE 100 index stood at the day's best level, up 14.6 at 3,725.6.

Glits were never a part of the equity market, opening easier and struggling all day before finishing around 4 ticks lower in the face of some robust money supply figures and the monthly UK purchasing managers report.

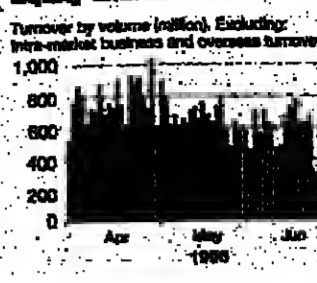
Over bids. Others said London had sorted itself out in the past couple of weeks but warned that the third quarter might see the emergence of a series of big rights issues.

The argument was put forward that global asset allocators might still be reluctant to channel funds into the UK, with the possibility of a general election around the corner.

FT-SE ALL-SHARE INDEX



Equity shares traded



Indices and ratios table showing FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, and FT-SE-A All-Share yield with their respective values and changes.

FT Ordinary Index table showing values for FT Ordinary Index, FT-SE-A Non-Financial, FT-SE 100 Fut. Jul, 10 yr Gilt yield, and Long gilts/yield ratio.

Best performing sectors table listing sectors like Building & Const, Electronic & Elec, Extractive Inds, Banks & Retail, and Property with their percentage changes.

Long performing sectors table listing sectors like Diversified Inds, Water, Transport, Telecommunications, and Other Financial with their percentage changes.

Utility bid talk emerges

The prospect of further bids in the utility sector was enlivened by news that Southern, of the US, had sold its remaining stake in South Western Electricity.

Tomkins improves

Tomkins' presentation to analysts was described as upbeat and informative, and the shares added 6 1/2 at 349p, turning in the day's second best Footsie performance.

London recent issues: equities

Table listing recent equity issues in London, including company names, issue sizes, and prices.

FT Gold Mines Index

Table showing the FT Gold Mines Index and its components, including company names and their respective values.

FT-SE Actuaries Share Indices

Table showing FT-SE Actuaries Share Indices for various categories like FT-SE 100, FT-SE Mid 250, etc.

FT-SE Actuaries 350 Industry baskets

Table showing FT-SE Actuaries 350 Industry baskets for sectors like Big & Craton, Pharmaceuticals, Water, etc.

Mirror rallies

Mirror Group shares recovered 4 to 209p after a story whipped around the market that it might be on the brink of selling its 46 per cent stake in the loss-making Independent.

London market data

Table providing London market data including FT-SE 100, FT-SE Mid 250, FT-SE-A 350, and FT-SE-A All-Share values.

London market data

Table providing London market data including FT-SE 100, FT-SE Mid 250, FT-SE-A 350, and FT-SE-A All-Share values.

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Table providing London market data including FT-SE 100, FT-SE Mid 250, FT-SE-A 350, and FT-SE-A All-Share values.

Futures and Options

Table showing Futures and Options data for FT-SE 100 Index Futures, FT-SE Mid 250 Index Futures, and FT-SE 100 Index Options.

Trading Volume

Table showing Trading Volume for Major Stocks Year-to-Date, including company names and their trading volumes.

Financial Publishing advertisement for Insurance Newsletters. It features the headline 'INSURANCE' and describes the complexity of the insurance market. It lists various newsletters available, such as 'The Marketing and Distribution of European Insurance' and 'The Global Insurance Market'. It also includes contact information for Charlotte Green at FT Financial Publishing.

Financial Publishing advertisement for FT-SE Actuaries Share Indices. It provides detailed information about the FT-SE Actuaries Share Indices, including a list of indices and their components. It also includes contact information for Charlotte Green at FT Financial Publishing.

Handwritten signature 'JAVICO LTD' in a box.

WORLD STOCK MARKETS

EUROPE

Table of stock market data for Europe, including indices like the Nikkei and various regional market performance metrics.

Table of stock market data for Europe, continuing with regional indices and market activity.

Table of stock market data for Europe, including market indices and regional performance.

Table of stock market data for Europe, showing regional market trends and indices.

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Advertisement for Rockwell, featuring the text 'From outer space to the factory floor Rockwell leads the way' and the Rockwell logo.

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Table of US stock market indices, including Dow Jones, S&P 500, and Nikkei.

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NEW YORK STOCK EXCHANGE PRICES

Main table containing stock prices for various companies, organized in columns with headers for company names, prices, and changes.

Advertisement for Hewlett-Packard featuring the text 'Perfect synergy' and 'If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.

Handwritten signature or scribble at the bottom center of the page.

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'V', 'W', 'U', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

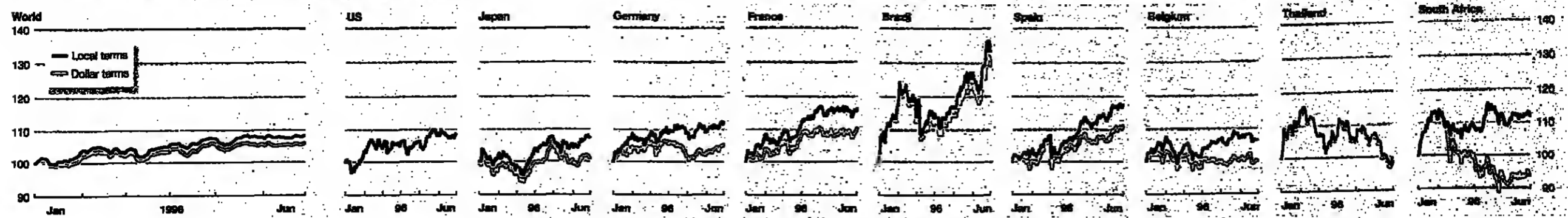
Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for Sweden newspaper delivery. Text: 'Have your FT hand delivered in Sweden... the edge over your competitors by having the Financial Times delivered to your home or every working day. Hand delivery services are available for all subscribers in the press centres of Gothenburg, Lund, Malmo and Stockholm (including Djursholm, Hjulsta, Stocksund and Saltsjbaden). Please call (08) 791 23 45 for more information.'

FT-Actuaries World Indices in the first half 1996



AMERICA

Dow rises as NAPM report lifts cyclical

Wall Street

US share prices strengthened at midsession, led by technology shares which continued to bounce back from the weakness seen in the last three weeks of June, writes Lisa Branstetter in New York. In early afternoon trading the Nasdaq composite, which is about 40 per cent technology shares, was 8.35 stronger at 1,138.37 and the Pacific Stock Exchange technology index advanced 1.3 per cent. Rising technology shares included Microsoft, up 1% at \$58.75, Intel, 1% higher at \$74. America Online, which gained 1% at \$45, and Netscape, 1% stronger at \$63. Computer makers were particularly strong, with IBM up 2% at \$101.4, Compaq \$1 ahead at \$50 and Hewlett-Packard \$1.5 firmer at \$101.4. Although most of Wall Street was anxiously awaiting the conclusion of the Federal Reserve's Open Market Committee meeting tomorrow, few expected the policy-making body to raise interest rates.

Rebels worry Mexico

Mexico City was pressured by weekend news that a new rebel group had taken up arms. The self-styled Popular Revolutionary Army unveiled itself in the poor state of Guerrero on Friday, just as Mexico's more famous Zapatista rebels in Chiapas were talking peace

A report of strength in the manufacturing sector from the National Association of Purchasing Management helped to boost cyclical shares and led the Dow Jones Industrial Average to outperform other indices. At 1 pm the Dow was 26.85 stronger at 5,890.48, the Standard & Poor's 500 rose 2.71 to 673.84 and the American Stock Exchange composite added 3.15 at 579.94. NYSE volume was 192m shares. Rising cyclical shares in the Dow included Boeing, up 1% at \$66.7, General Electric, 1% stronger at \$37.4, and United Technologies, which climbed 3% to \$115.7. Acquisition news moved several shares. ADT added \$5 or 27 per cent at \$23.4 after signing an agreement to be acquired by Republic Industries for stock valued at about \$5m, or \$26 a share. Republic Industries fell 1% to \$28. Brooktree jumped 3% or 37 per cent to \$14.4 after agreeing to be purchased by Rockwell International for \$27m. Rockwell slipped 3% at \$56.7. Toronto was 0.56%.

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EUROPE

Wall Street uptick helps Frankfurt gain ground

A late morning uptick in the Dow helped FRANKFURT recover from earlier losses, the Dax index closing 3.00 higher at an all-time high of 2,573.44. Lufthansa, due to produce May earnings data tomorrow, climbed DM5.50, or 2.5 per cent, to DM222. It told the German weekly Der Spiegel that it was back in profits in May after an operating loss of nearly DM50m in the first three months of 1996. PARIS was less responsive, the CAC-40 index losing 4.35 at 2,118.75. However, the market had time for theme stocks, most spectacularly Dassault Aviation, which jumped by FF69, or 8.6 per cent, to FF768 as the market waited for post-horse confirmation of its merger plan with the state-owned Aerospatiale. Cap Gemini rose FF7.50 to FF207.50 on the news that it would gradually sell its 96 per cent stake in Citicorp's systems integration and outsourcing company 64 per cent controlled

by CEA Industrie; CEA fell FF36 to FF469. Carmakers, initially depressed by news of a 32 per cent drop in French new car sales in June, remembered that June 1995 sales were inflated by the Balladur car buying premium. Renault closed unchanged at FF129.90, after FF129.20, and Peugeot FF77 lower at FF682, after FF670. ZURICH saw a further advance in CS Holding, up SF1 to SF120, on continuing speculation about a possible change in the company's structure or a potential divestment of its industrial subsidiaries. The bank said after the market closed that it would hold an "important" news conference this morning. The broad market edged lower and the SMI index lost 4.7 to 3,728.2. Von Moos rose SF3 to SF100. Danzas, the freight forwarding company, picked up SF33 to SF1,940 as the British investor Mr Nicholas Barry denied rumours that he was selling any part of his 3 per cent stake. Mr Barry failed last month in an attempt to win a seat on the management board. Area-Serono fell SF4 to SF1,070 after the company said that it would have to pay nearly \$20m to settle a class action suit related to its takeover of InterPharm.

FT-SE Actuaries Share Indices

Table with columns: Index, Daily change, Open, High, Low, Close, and other metrics for various indices like FT-SE 100, FT-SE 250, etc.

MILAN featured a 3.5 per cent gain in Montedison on speculation that a planned capital writedown, announced in April, was about to be implemented. The shares fell L3.2 to L260.7. The Comit index shed 1.16 to 656.67. Generali, the insurer, gave up L454 to L35,034; a weekend announcement revealed higher premium income so far this year but said that no decision had been made over its 11 per cent stake in the French insurer, Axa. Among other blue chips, Fiat fell L105 to L5,063 and Pirelli gave up L45 to L2,536, with some investors said to be positioning themselves for the placing of the television and

advertising group, Mediaset. Shares in the company, which will become Italy's eighth largest listed group, are due to start trading on July 15. Against the trend, the oil and chemical giant, Eni picked up L151 to L7,797. AMSTERDAM, seeing modest early Wall Street gains, closed with the AEX index down 0.80 at 560.03. The apparent reconciliation between KLM and its US partner, Northwest, left the Dutch flag airline up 60 cents at F155.30, after F156.90, although dealers said that lack of liquidity contributed to the earlier peak; and a Kempen & Co outperformer rating for LCI left the computer group up 90 cents, or 5.8 per cent, at F11.40. BRUSSELS featured a BFX25 gain to BFX25.575 in Bekhert after the steel wire and cord maker said that it would raise BFX5m by the sale of 10.1m shares in the Japanese tyre-maker, Bridgestone, and a

after news of a narrowing June trade deficit. The composite index gained 15.33 at \$53.79 but in this trade of 14.2m shares, the lowest of the year. JAKARTA saw Sona Topas leap Rp150 to Rp650, although the duty-free outlet operator denied rumours that one of the country's conglomerates was planning a bid. The JKSE composite index rose 2.02 to 996.28. Taipei, Bangkok and Dhaka were closed.

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ASIA PACIFIC

Threat of crackdown leaves Shenzhen Bs down 9.8%

China's hard currency B shares plunged after the market watchdog reaffirmed its determination to stop Chinese citizens from trading in the issue, which are targeted at foreign investors. SHENZHEN'S B index dropped 8.36, or 9.8 per cent, to 77.01. The shares had rocketed in recent weeks on domestic demand, which was said to have accounted for about 70 per cent of daily turnover, falling subsequently on the threat of reimposed controls. The A index of shares for domestic investors fell 5.2 per cent on worries over the accelerated pace of new share offers and listings. In SHANGHAI, the B index lost 1.99, or 3.9 per cent, to 49.550, while the A shares fell 3.4 per cent on profit-taking.

Investors grew nervous over the Bank of Japan's neutral stance on the short term money markets, following a rally in the bond market last week. Although few investors expected an imminent rise in interest rates, this week's BoJ branch managers' meeting and US FOMC meeting were giving some market participants an excuse to refrain from activity, said traders. Carmakers saw more profit-taking, Toyota Motor losing Y60 to Y2,680 and Nissan Motor Y12 to Y961. High-tech technology stocks were also lower, with Toshiba off Y14 to Y766 and NEC down Y20 to Y2,200. Sony, however, rose Y20 to Y7,200 and Fuji Photo Film, the photo film manufacturer, firmed Y50 to Y3,610 on buying by European institutions. Steels were weaker on profit-taking by foreigners, Nippon Steel losing Y4 to Y372. However, shipbuilders were higher on active buying, Sumitomo Heavy Industries putting on Y11 to Y490 and Kawasaki Heavy Industries Y5 to Y760. Speculative stocks were actively traded, Juki, an industrial sewing machine maker, was the most active issue of the day, rising Y24 to Y264. Clarion, the car audio equipment company, moved forward Y5 to Y950. In Osaka, the OSE average

slipped 71.76 to 23,729.41 in volume of 26.4m shares.

Kashmir. The KSE 100 index fell 26.78 to 1,676.50. SINGAPORE was dominated by activity in Telecom, a block of 60m shares being traded at \$3.68 as the state investment company Temasek continued to sell part of its stake. SingTel shed 10 cents to \$3.66 and the Straits Times Industrial index lost 4.68 at 2,291.53. SREOL rebounded late in the session as speculative bargain hunting for blue chips emerged

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MARKETS IN PERSPECTIVE

Table showing market performance in % change in local currency and % change in US \$ for various countries and regions like Austria, Belgium, Denmark, etc.

Tokyo

Activity receded, and equities fell, due to uncertainty over the course of domestic and US interest rates, writes Emiko Terazono in Tokyo. The Nikkei 225 average fell 75.26 to 22,455.49 after moving between 22,415.00 and 22,600.00. Volume totalled 274m shares, falling below 300m for the first time since June 10. Overseas investors took small lot profits.

S African industrials pressured

Johannesburg's industrial shares were pressured by Wall Street's weak performance on Friday, and golds were steady in response to a dull billion price. Analysts said losses were exaggerated by very thin trading volume after two systems failures on the Johan-

nesburg Equities Trading (JET) system delayed the start of trading by about four hours. The overall index ended off 33 at 8,644.9, industrials fell 52.3 to 8,138.5 and golds lost 0.6 at 1,721.1. Anglo slipped R1.50 to R373 and Sasol was off 90 cents at R45.60.

Advertisement for Banco Santander Chile. Includes logo, text: 'Announces the Completion of its Acquisition of Banco Osorno y La Union', 'A financial institution with \$7.9 billion in assets, well-positioned in the Chilean economy.', 'A nationwide branch network, providing broad product distribution.', 'Strategic focus in four markets: corporate, middle market, personal banking and mortgage, and consumer finance.', 'ADRs listed on the New York Stock Exchange.', 'Santander Investment acted as financial advisor to Banco Santander for this transaction.'

FT/S&P ACTUARIES WORLD INDICES

Large table showing FT/S&P Actuaries World Indices for various countries and regions, including National and Regional Markets, and World Indices. Columns include Index, Daily Change, and other metrics.

JAVICO LTD

Japanese carmaker's extra model would compete directly with top European sellers

Nissan may boost output in England

By Stefan Wagstyl, Industrial Editor

Nissan Motor, the Japanese carmaker, is considering plans to build a third model in the UK. The move would create hundreds of jobs at the company's factory in Sunderland, north-east England, and in the British parts industry.

The new car would be a small saloon aimed at the biggest sector in the European car market where it would compete head-on with the Ford Escort, the Volkswagen Golf and General Motors' Astra.

The proposed model would greatly expand Nissan's presence in the European market by filling the gap between its Micra minicar and the Primera family saloon.

Nissan said no decision had yet been made on the new car, which would replace the Almera model produced in Japan and shipped to Europe. The company said it was carrying out detailed feasibility studies into the project and would decide on it early next year. The new car could go into production in 2000.

The group is unlikely to invest in a new production line at Sunderland. But even adapting the two existing lines would require substantial investment. The company is now spending £250m on retooling the Primera line for the launch of a new version this autumn. Reopening production for a third model would be considerably more expensive.

Nissan said it was too early to say how many jobs might be created at Sunderland, which employs about 4,000 people. But it said that if production rose there would be a need for more staff, even though the plant's productivity was increasing at 10 per cent a year. The new model would also almost certainly create new jobs at Nissan's British suppliers.

Component makers have already been contracted for development work, much earlier than for previous Nissan models.

The early involvement of suppliers indicates that Nissan, which started production in the UK 10 years ago this month, is increasingly willing to entrust detailed engineering work to British parts makers.

Stock Exchange seeks to cut costs

By John Gapper, Banking Editor

The London Stock Exchange will try to co-operate with other exchanges to cut the costs of shares and derivatives trading, its senior directors said yesterday as they outlined a new strategy for the exchange.

The exchange also confirmed that it intends to cut about 400 jobs over the next two and a half years, bringing costs down to about £120m (£133.6m) a year. This will match its estimated income after losing fees from share settlement.

Mr John Kemp-Welch, the chairman, said the exchange needed to "inject much greater clarity and efficiency into its activities". It would employ a total of 650 staff by the end of 1997, and would reduce the number of management layers.

The strategy review, which was approved by the exchange's board last week, was started after it lost charge of share settlement in the City as a result of severe cost overruns and delays in the now-abandoned Taurus system.

The exchange has also lost two chief executives, Mr Peter Rawlins and Mr Michael Lawrence, within the past two years. It has just announced that Mr Gavin Casey, a director of Merrill Lynch, is to take over the job.

Ms Field Wicker-Muirra, director of strategy and finance, said that the exchange intended to increase co-operation to "make the whole market more efficient".

Ms Wicker-Muirra said that it wanted to retain its position of capturing 90 per cent of global trading in UK equities, and to be the main market for cross-border equities. It also wanted to strengthen its position in gilt and eurobonds.

The exchange produced figures indicating that its operating costs as a percentage of market turnover were relatively low compared with other large exchanges such as the US Nasdaq exchanges and the Tokyo Stock Exchange.

UK NEWS DIGEST

Ministers face roasting by PM

Mr John Major, the prime minister, will throw his weight behind efforts to revive the flagging private finance initiative (PFI) tomorrow by warning ministers they are not doing enough to promote the scheme. Ministers are being called to Downing Street to explain the lack of progress by some government departments in attracting private finance to public sector projects.

Mr Stephen Dorrell, the health secretary, is likely to face stiff questioning over the slow start made by his department. Progress in defence and in local government has also been disappointing. Companies blame the delays mainly on the bureaucratic approach adopted by many departments. The prime minister's move comes amid calls for responsibility for the PFI to be switched from the Treasury to Mr Michael Heseltine, deputy prime minister. David Wighton, Westminster

Electronic marketplace planned

Three British media executives are investing up to £7m (£10.7m) of their own money in Channel 11, which will provide a range of new specialist internet services using a television format for ease of access. Channel 11's first four services launched last night will offer specialist information on the food and drinks industry. The service will target businesses and consumers. Mr Tim Carron-Brown, the chief executive and one of the investors, said the aim was to create an electronic marketplace where sellers of goods and services to the food and drinks sector could find buyers.

Raymond Snoddy in London

Shipping deal 'next year'

An international agreement on co-operation in maritime accident investigations should be in place by the end of next year. Captain Peter Marriott, the UK chief inspector of marine accidents, says in his annual report. Unlike the civil aviation industry, shipping has no binding international code although the investigation of accidents and losses frequently requires cross-border co-operation. The International Maritime Organisation, the UN agency responsible for shipping safety, is preparing an agreement which will supersede existing informal contacts. The safety of the UK merchant and fishing fleet continued to improve in most areas in 1995.



Number lost

Source: MPA

Charles Batchelor, Transport Correspondent

Rail dispute deepens

A total shutdown of the London Underground network this summer in a series of one-day strikes grew more likely last night. Leaders of the RMT transport union said they were holding an industrial action ballot of their drivers in pursuit of a one-hour cut in their 38.5-hour working week. If the drivers voted for strike action they would be expected to hold stoppages on the same days as the majority of Underground drivers, who belong to the ASLEF union. Those drivers intend to hold the second of their planned series of four 24-hour strikes tomorrow.

Robert Taylor, Employment Editor

Losses force German PC company to shut 65 stores

By Paul Taylor in London

Escom, the troubled German computer maker and retailer, is to close 65 of its town centre stores in Britain, resulting in 227 redundancies, as part of a restructuring programme aimed at stemming losses.

The company, which will retain 170 sites across Britain, acquired the stores from Sam-below last year as part of a European expansion programme.

But the personal computer market has since slowed in Germany and the company, which specialises in cut-price multimedia PCs aimed at the home market, has faced growing competition from other more well established suppliers such as Compaq, Dell and International Business Machines.

In March Escom announced much higher than expected full year net losses of DM125m (£81.2m) which it blamed on falling PC sales, stock write-downs and price cuts.

Since then the company has undertaken a DM100m refinancing and Mr Manfred Schmitt, who founded the group, has been replaced by Mr Helmut Jost, a former management board member.

As a first step, Mr Jost sold Amiga Technologies, an ill-fated subsidiary which was developing set-top boxes for

Three shoe factories to close

C & J Clark, the family-owned shoe group, announced the closure of three factories and the loss of 1,400 jobs yesterday in a restructuring exercise to improve efficiency. Jane Martinson writes.

The reorganisation is the largest since the arrival of a new chief executive in January. Mr Tim Parker, brought in from Kenwood Appliances to prepare the company for flotation, said yesterday that the changes were designed to "address the poor performance of our core footwear operations".

UK manufacturing would fall by about 10 per cent from its current 60 per cent of total output by outsourcing deals in countries with lower labour

costs, he said. The group wanted to build its worldwide business, he said, and to expand its exports from 20 per cent of sales.

The cost of the redundancies would be "in excess of £10m" (£15.2m) and would affect the company's profits in the current financial year.

Mr Parker wants to refocus on specialist ranges and £2.5m would be spent over the next two years on refurbishing existing factories.

Although part of the rationale for the restructuring is to increase the likelihood of a successful flotation, Mr Parker said yesterday that the group was unlikely to go public for at least two years while it digested the changes.

Open bidding is planned for North Sea fields

By Stefan Wagstyl, Industrial Editor

The government is planning to introduce competitive bidding for offshore oil and gas licences to boost investment in exploration and development.

The proposals, announced yesterday by Mr Tim Eggar, the energy minister, would apply to mature areas in the North Sea.

The plans would exclude frontier areas still in the early stages of development, notably in the Atlantic Ocean to the west of Scotland.

The government believes the traditional UK system of awarding licences on the basis of official assessments of oil companies' development plans works well for large new exploration areas. But officials consider this system may be too slow and cumbersome for encouraging the development of unexplored pockets of existing fields.

"In the mature areas of the North Sea, I propose that we introduce some changes to our traditional system, so as to develop a regime which is more open and better able to respond rapidly to market developments and new ideas," said Mr Eggar, presenting his

plans to an industry conference in London yesterday.

The industry reacted cautiously, expressing fears that competitive bids might lead to the government demanding large up-front payments. That has happened in other areas such as the fields in the Gulf of Mexico.

The United Kingdom Offshore Operators Association said: "The industry is going to be unhappy if it has to pay for licences. But we recognise the present system can be improved."

Mr Eggar is planning to consult the industry about his proposals. He hopes the new system might be applied to between 20 and 30 North Sea blocks starting with the next round of North Sea licences, to be awarded late next year.

As well as introducing competitive bidding, Mr Eggar wants the new-style licences awarded for shorter periods to discourage companies from sitting on blocks without pursuing development plans. Yesterday he proposed periods of between three and six years, instead of the current minimum time of six years which is often followed by extensions of 12 years.

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In semiconductor terms, a particle the size of a pea on a surface of silicon wafer the area of a football pitch represents an unacceptable level of contamination...

Now, however, industry is starting to favour an alternative approach - "mini-environment technology" - and the age of the cleanrooms will soon be over...

Work on the mini-environment at SEMI, or standard mechanical interface for mini-environment devices, one equipment manufacturer pioneering this technology is Asyst in Fremont, California...

The SMIF-integrated mini-environments are guaranteed to provide a better than Class 1 cleanroom environment and are sometimes as good as Class 0.1, says Hugh O'Reilly, vice-president of Asyst's European operations...



Cleanroom in the machine: the new wafer treatment process in use at a fabrication plant in the UK.

A clean break

Mini-environments are reducing contamination in the semiconductor industry, writes Anna Kochan

Although a mini-environment is a cheaper solution than building a cleanroom, cost of construction or operation is not the vital factor in the decision to opt for a SMIF solution, O'Reilly stresses.

The ability to produce greater numbers of good chips off the same wafer is the key benefit of SMIF, says James E. Holliday, executive vice-president of Jenoptik Infab, part of the German Jenoptik group.

Europe at Applied Materials, the big fab equipment supplier. "The Japanese have perfected the design and operation of cleanroom technology to such an extent that there are possibly no savings to be gained by implementing SMIF," Winkler says.

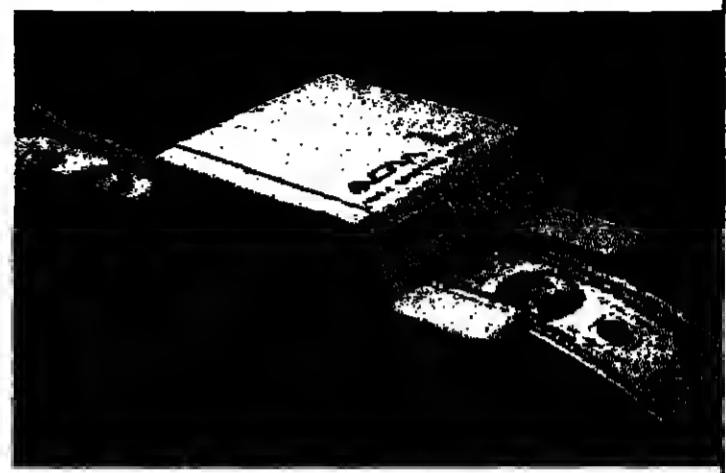
He questions the benefits of SMIF to fab producing large quantities of identical products in a mass-production process - where the wafers are continually moving and there is less risk of contamination from the top wafer effect.

"Those fabs being built between now and 2000 with mini-environment technology will also be highly automated, as this is the only way to monitor and continually optimise process performance," he says.

A Japanese engineer's box of tricks is helping detect forged banknotes, reports Emiko Terazono

The victim countering the counterfeiters

When Yoshitake Matsumura, the owner of a small electronics manufacturing company in Tokyo, fell victim to credit-card fraud in Hong Kong, he felt so angry that he decided to hit back.



Mark of the master forger: even 'supernotes' fakes have tiny blemishes

Using his expertise in fingerprint identification technology, the engineer has now developed a high-grade counterfeit bill detector, which was launched by his company Matsumura Electronics in April.

Interest in the product has increased since the arrest of Yoshitake Tanaka, a former member of Japan's Red Army Faction who fled to North Korea. He was apprehended at the Cambodian border last March and is alleged to have been involved in circulating high-quality counterfeit US dollar bills, known as "supernotes" or "superdollars" and thought to be produced in North Korea.

Each supernote tends to have two or three minute aberrations. Consequently, sensors check for any variations at 12 points on the note. A 0.8-second scan also monitors the thickness of the paper and the printing ink.

unwilling to reveal all the secrets of his machine in case competitors and counterfeiters exploit them, he does say that forgers tend to leave some sort of mark on the most sophisticated notes, so that they can be certain of not ending up with fake bills themselves.

Matsumura Electronics is selling its machine for Y188,000 (£1.175) through a distribution network covering 40 countries, and demand is particularly buoyant in Russia, the US,

individuals. He believes that only a small company such as his could manufacture a fake-bill detector because research and development need large quantities of counterfeit notes.

"A Japanese blue-chip corporation would not be caught with fake bills in its possession. That just would not look very good," he says.

Matsumura realises that his company poses a threat to various criminal organisations and has received several menacing telephone calls... the counterfeiting technicians are constantly developing ways to make sophisticated fakes

south-east Asia and the Middle East. The forger problem is especially bad in Russia. One Matsumura machine detected 280 fake notes in a single day at one foreign exchange business in Moscow.

Matsumura realises that his company poses a threat to various criminal organisations and has already received several menacing telephone calls from unknown

sophisticated fakes. Matsumura has already obtained a level 10 counterfeit and believes that it will not be long before the top forgers start churning out versions of the new dollar notes the US treasury has begun printing.

"However, if my machine can stamp out the existing fake notes, that's still a lot of counterfeit money," he says.

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ARTS

Endless variations on 'Old Glory'

William Packer reviews Jasper Johns's collection of stars and stripes

To Americans their flag is a very serious matter. Not for them the ribald, satirical or decorative appropriation of it to any purpose but that served at the top of a pole. Woo battle the humorist who thinks those stars and stripes would make a pretty pair of knickers or a funny hat. Burn the flag, do anything to the flag, and Uncle Sam, in his fine top hat and waistcoat, gets most indignant.

And since the war the Americans have also taken their modern artists very seriously indeed, for in all things they do rather like to consider themselves the "Top Nation". Assiduous cultural diplomacy and propaganda sustained over decades ensured that the Abstract Expressionists of the 1960s, and then the Pop Artists, Colour Field Painters and Minimalists of the 1960s and '70s, duly led the world in the art world. Among all the artists to profit by

such care, Jasper Johns - whose work has touched all those bases in its time, from Surrealist Pop to Concrete Abstraction - became and remains as successful as any. Of all living painters, he has commanded the highest prices for his work; more than Matisse or Picasso, more than the Old Masters. To Americans he is already an Old Master. And he has been making paintings and drawings of the stars and stripes, even casting the flag in bronze in low relief, without complaint or scandal, for the past 40 years.

He first began to make his name in the mid-1950s, when he was 25 or so, and much engaged with imagery derived from popular culture and the mundane world, from fairground targets to beer cans and paint brushes. These he presented, whether painted on canvas or cast as sculpture, with an ironical detachment and matter-of-fact simplicity. If it was Pop-Art, it was thoughtful rather than celebratory, rooted in Dada and the ideas of Marcel Duchamp of 40 years before, and clearly anticipating much of conceptual art to come.

His principal claim to being one of the more significant artists of the century rests on the work he did in the ten years after 1955, when he seemed to sit at the point of balance of the century's modernism. And it was in 1955 that he completed his first "Flag", the stars and stripes, a large collage and encaustic painting, red, white and blue on three plywood panels, now in the Museum of Modern Art, New York. The story is that the idea of doing such a thing came to him in a dream, and one can only wish one's own were as productive. He has since produced some 90 flags of all kinds, colours and sizes, at fairly regular intervals after the initial flurry, the latest a bronze early this year.

The group of 25 now at d'Offay represents almost the full scope of the series, in date, medium and formal variations, from a small black pencil drawing washed with lighter fluid of 1965 in a dark acrylic painting of 1994. The show offers, too, the typical range and quality of the achievement, from the particular and intense to the decorative and superficial, which more or less accords with early and late. Johns is no great draughtsman, but has ever enjoyed a most seductive way with surface as surface, whether washed with the lightest brush or encrusted with the thickest wax. Which brings us to the point and very heart of the work.

The image of the stars and stripes, as of any flag, is ready-made, its formal structure given, take it or leave it. Leave aside any sense of the depiction of the flag in a pictorial space, and drop all national gloss or connotation, and what is left is simply an object with an abstract organisation of its surface. Painted out to the sides of the support, or set within simple borders on the page, that object is indeed but another, albeit stiff, flag. It is entirely neutral, requires no editing or alteration, no decisions. Painted well or badly, it is still a flag, The Flag, Old Glory. The intriguing thing in the first instance is, of course, the immediate discovery that it is not quite so simple. For the flag is the flag, and Johns's deconstruction does not, in fact, lose anything of its particularity. Paint it black and blue, paint it white, paint it green and yellow, even paint it red, white and blue, and it is still The Flag. And if the old hand-on-the-heart simplicity of response is no longer there, the delicate, haunting ambiguity that replaces it is not at all a satirical blasphemous - which is perhaps why Johns has got away with it for so long.

Greenaway sets Rome alight

Peter Greenaway's long love affair with architecture has moved from the screen to the piazza. All last week the British filmmaker entertained Romans with a spectacular celebration of light and sound in the Piazza del Popolo. The whole site with the triumphal entry gate of Porto del Popolo, its three baroque churches, statuary, fountains and central Egyptian obelisk, was exploited by Greenaway as a "magnificent 360 degree architectural amphitheatre". Using a constantly changing mix of 6,000 lights, this amphitheatre became a visual playground of architectural line and architectural detail. This was accompanied by music and occasionally intrusive natural sounds. The music, composed by Greenaway's long-standing collaborator, Patrick Minkman, emphasised the baroque feel of the piazza.

Greenaway has been fascinated by the Piazza del Popolo since shooting there parts of his *Billy of the Architect* - a film he says which explored the responsibility of architects in the 1960s. He was also fascinated by the story of Pope Sixtus V, the late-16th century pontiff who redesigned much of Rome and sought to place ancient Egyptian obelisks at the centre points of the main thoroughfares. The pope's plan to use the obelisk to tell the time of day by their shadows never got off the ground. So Greenaway decided to give him a helping hand, taking Pope Sixtus V as the starting point for the spectacle's tenuous narrative structure. Using cinematic techniques of lighting on the piazza, the narrative followed the rhythm of day through night. The high point of the spectacle was when the two churches of Santa Maria suddenly appeared softly illuminated, like giant baroque ships floating in the Corso that leads well into the piazza. The narrative lasted only 10 minutes but the audience was meant to repeat the experience by moving round the piazza to differing vantage points. The whole performance ran for three hours until midnight. Greenaway wanted the public to be like walk-on actors, using the sound and light show to give a new dimension to audience participation. Like all Greenaway's work, his ideas are so dense at times that they require footnotes. Who would know without the auteur's prompting that the sound of the peacock is a reference to Nero (it was the emperor's favourite bird) or that the lyrics used are from an inscription in the piazza? But the response has been enthusiastic and offers a chance for other such shows in Bologna, Turin and Siena.

He has had to show considerable persistence in staging this event, which was called off at the last minute two years ago due to political squabbles. This time round, Rome's city hall has been enthusiastic, helping with the 30-odd special permits required to use the piazza. The British Council also pulled out all the stops to make it the centrepiece of British Weeks, its three-week celebration of the arts. Cost has conditioned the performance, but Greenaway insists the funds were not so hard to find. Funding has come from three Italian banks, the local electricity company which provided machines and manpower, and the British Council, with a total cost of some £200,000. Entry was free, an important part of the public's casual confrontation with unexpected light and sound. Greenaway regards this as the beginning of his extra-cinematic activity (his new film, *Pillow Story*, will be released shortly). "Light is a genre of its own," he says. "People are just beginning to realise the importance of proper illumination in cities. Many architects now put down 2 per cent of the project cost onto lighting." He has his eye on various jubilee celebrations around the world. "We can light up on a grand scale." But what fascinates Greenaway is the ephemeral nature of a light show which illuminates and excites with the brevity of fireworks. "This must be an ephemeral experience which then resides in the memory."

Opera Model Mozart

Even on a miserable drizzly evening opera *al fresco* at Garsington has its charms. The audience is reasonably well cocooned thanks to the combination of a large awning and plastic side walls, through which one can gaze out at the beautiful gardens if the opera itself loses its attraction. There was plenty of time to admire the view during this *Idomeneo*, although that should not be taken as a negative comment on the musical side of the performance. Since last year Garsington has found the resources to put on three productions a year, which is a considerable achievement when one thinks that it is limited to 18 performances a season and the audience capacity is small. Budgets must be carefully handled. *Idomeneo* was the third of the three this year - probably in every sense, as the other two had generally won glowing comments. It had a single decisive strength, which carried the evening. The playing of the Garsington Opera Orchestra, conducted by Stewart Bedford, was a model of how Mozart should go in the theatre, well-sprung and pointed, alive to every dramatic situation. The storm at the end of the second act was quite thrilling, showing Bedford as another conductor who has successfully taken on board "authentic" vigour and clarity.



Great music, shame about the production: Rita Cullis, in orange wig and pink ballgown, as Electra in 'Idomeneo'

For an outdoor venue the sound is surprisingly good, with a fine balance between orchestra and singers. The brightest singing came from the Illa of Melanie Diezner, whose gleaming light lyric soprano is on the threshold of becoming a familiar pleasure in the world's opera-houses, although there is still scope for her to find more light

and shade in this role than she does. Jon Garrison played *Idomeneo* with such writing angst as to suggest that he had brought with him emotions borrowed from some other production. Everybody else in the cast remained outside their roles, although the firm vocalism of Jean Rigby's *Idamante* and outgoing *Electra* of Rita Cullis, unbecomingly costumed in

orange wig and pink ballgown, were positive virtues. Ryland Davies may be a name for the small role of Arcebe, but that did not justify delaying the start for 45 minutes so that he could sing his four lines of recitative in the first act. As for the production, what can one say? Designed and directed by David Fielding, it looked ghastly and made

an over-clever nonsense of a straightforward mythological tale. Spotting that the location is Crete, Fielding provided a bright-red maze and a body-stocked minotaur, who prowled the stage as an extra throughout. The chorus, in black, off-the-shoulder tunics and trilby hats, sang from the maze, holding aloft golden model galleons. This was

opera production in pop video mode, straight out of art school. Mad cows in the field at the bottom of the garden could not have dreamed up anything more ridiculous. Richard Fairman Garsington festival continues until July 14.

Music in London/David Murray Romanticism and Meltdown

Sanderling was of course a sterling partner. His own principal offering was Bruckner's 4th Symphony, the "Romantic", in which the Philharmonia played superbly for him: a grand scale of sound, always musical, penetrating and well balanced, never strident even in Bruckner's repetitious *fortissimi*. The symphony emerged as a strongly reasoned whole. I did think wistfully, sometimes, of Tannstedt's soft but verily tingling way with things like the playful third theme of the first movement - but who can say whether Bruckner would have preferred Tannstedt's suggestive subtleties to Sanderling's architectonic?

recital. Nothing out of the ordinary, except that he devoted his first half to early 18th-century music that was not written for the pianoforte: three Scarlatti sonatas, an "English" Suite by Bach and another by Handel, along with an expansive Chaconne. Nowadays this is András Schiff territory. Perahia was straighter, less judiciously artful but almost as elegant. Nevertheless, as we expected it was Schumann's rich *Kreiseriana* that drew Perahia into his best expressive form. There were lashings of Romantic *Andante* (but quiet and intense, not brandished aloft), along with a firm sense of the dramatic continuity of the whole cycle. He chose to end with Mendelssohn's irresistible *Capriccio*, here feathery-brilliant,

without any hard virtuoso glint. The current South Bank *Meltdown* festival - a compound of motorised new "classical" music, "cross-over" stuff and frank slumming - has been bumpy, what with its central Philharmonia concert cancelled and the rest of the programme much knocked about. Not, I think, the fault of its composer-director, the Swedish-Finn Magnus Lindberg; but anyhow there is another weekend of it to go.

On Sunday it offered a London Sinfonietta concert which repeated the recent Lindberg piece the Sinfonietta played at Aldeburgh a week ago. *Engine*, his Aldeburgh/Sinfonietta/South Bank commission, had acquired a sharper edge already: deeper contrasts between the hyper-

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Tuesday July 2 1996

Karadzic at bay

Not for the first time, Radovan Karadzic, the Bosnian Serb leader, is making a fool of all those important people who like to make statements about "the will of the international community".

and ignominious casualties - the very last thing Bill Clinton wants to happen in his re-election year. That puts Mr Bilic in an awkward position, which his predecessors as mediators in the Bosnian conflict would all too easily recognise.

A Real chance

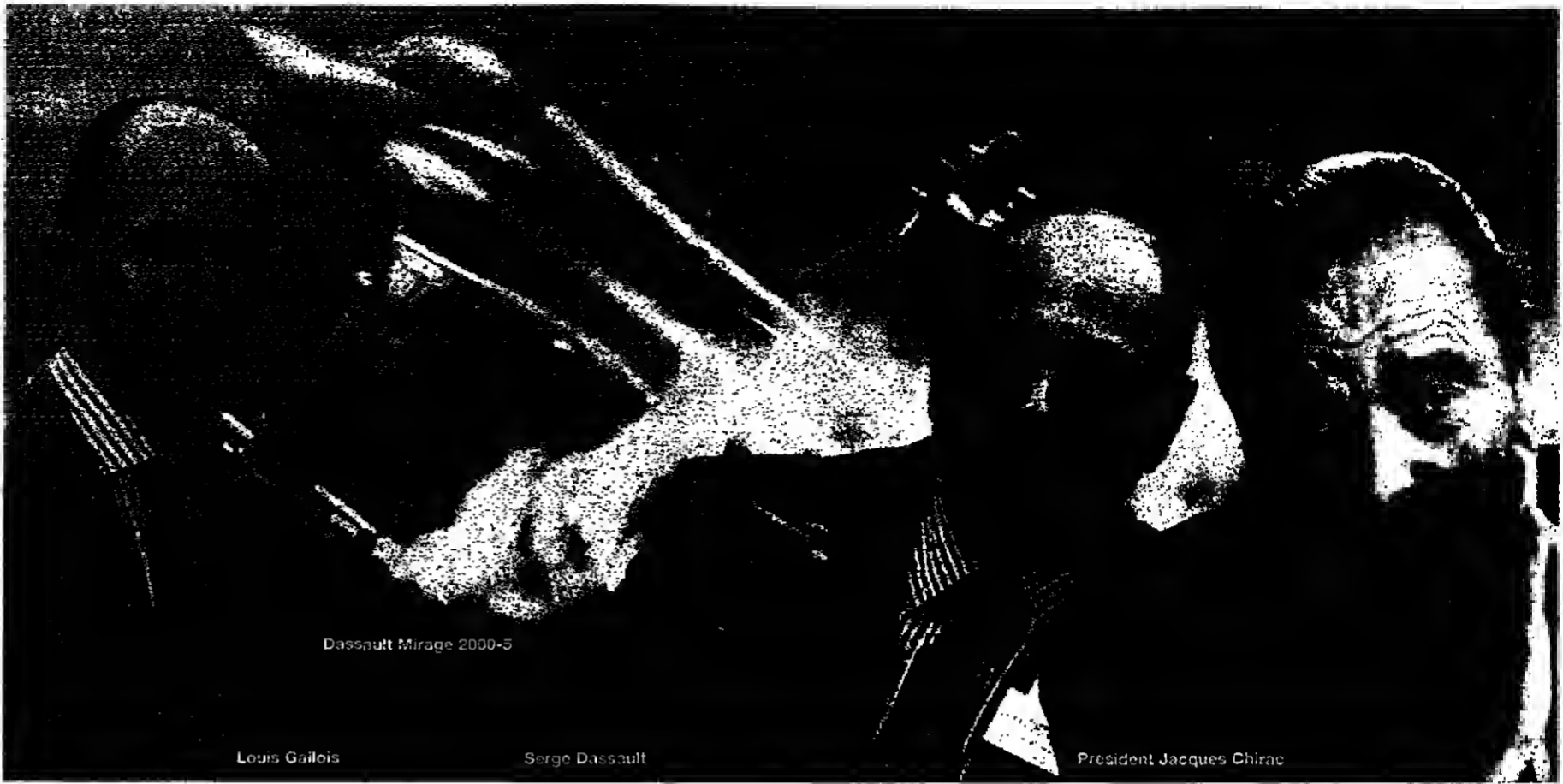
Yesterday marked the second anniversary of the Real Plan - the reform programme that was to transform the Brazilian economy and make high inflation a thing of the past.

plans of 2 per cent of GDP in 1994 was transformed in 1995 into a 5 per cent deficit. Total domestic debt rocketed 50 per cent.

Tackling Tony

New Labour, new strategy. Mr John Major, the UK prime minister, told the cabinet yesterday that he intended to defer the general election until the last possible moment in May 1997.

issues for the electorate, but to be effective in influencing opinion it must be grounded in reality.



Political dogfight nears its end

A merger between Aérospatiale and Dassault is due to be completed by January but it will be difficult to finalise, says David Buchan

One of France's longest running political-corporate sagas seemed to be nearing an end, with yesterday's declaration by the French government that state-owned Aérospatiale and privately managed Dassault Aviation will finalise their merger into "a single group" by next January.

spatiale and Dassault have yet to be finally valued. Mr Dassault should get more than 25 per cent and less than 38 per cent. Mr Dassault wants to head a new supervisory board, leaving day-to-day control of an executive "directoire" to Mr Gallois.

his ministers fell in behind it. Part of the spring tussle between the government and Mr Dassault was over the future of the Rafale, the new jet fighter which Dassault has developed for the French air force and navy.

Nonetheless the government played on Mr Dassault's anxiety to see the Rafale well ensconced in the 1997-2002 military programme.

Small wonder, then, that the French government yesterday gave the two companies until next January to work out "the technical, financial and industrial modalities" of the merger.

Table titled 'How the groups compare' comparing Aérospatiale and Dassault on metrics like Turnover (FRFbn), Gross operating profit (FRFbn), and Workforce.

OBSERVER

Getting steamed up

Ukrainians bit the hand that feeds, and got away with it - this time. The day before the World Bank board met to approve a \$100m loan last week, the government locked out the banks' entire local office.

Russian roulette

President Boris Yeltsin's latest health scare has sent the country's constitutional experts scurrying to their law books.

Strong brew

Meyer Kahn, brilliant chairman of South African Breweries, thinks of himself as a bit of a wag - a fund of pointing out that SAB's 98 per cent share of the domestic clear beer market merely puts it in the position of being "temporary sole supplier".

What price news?

For a government which delights in lecturing other countries on press freedom, the US seems oddly reluctant to practise what it preaches.

100 years ago

Telephones Editor. Sir - I think you are very unfair to the National Telephone Company. I have always found the officials models of courtesy and long-suffering.

50 years ago

Brazilian Traction Questions of expropriation have touched the Brazilian Traction Light and Power Company from time to time, but these were described as irresponsible rumours by the chairman at the meeting in Toronto.

